



Quarterly Meeting and Conference Call Oct. 29, 2009

Office of the Arizona State Treasurer
Treasurer Dean Martin



HON. DEAN MARTIN, TREASURER

OFFICE OF THE ARIZONA STATE TREASURER



AGENDA

Oct. 29, 2009

- **Economic Outlook**
- **Interest Rate Outlook**
- **LGIP Update**
- **New LGIP Website/Improvements**
- **Legislative Update**
- **Endowment Update**
- **Q & A**



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Economic Forecast



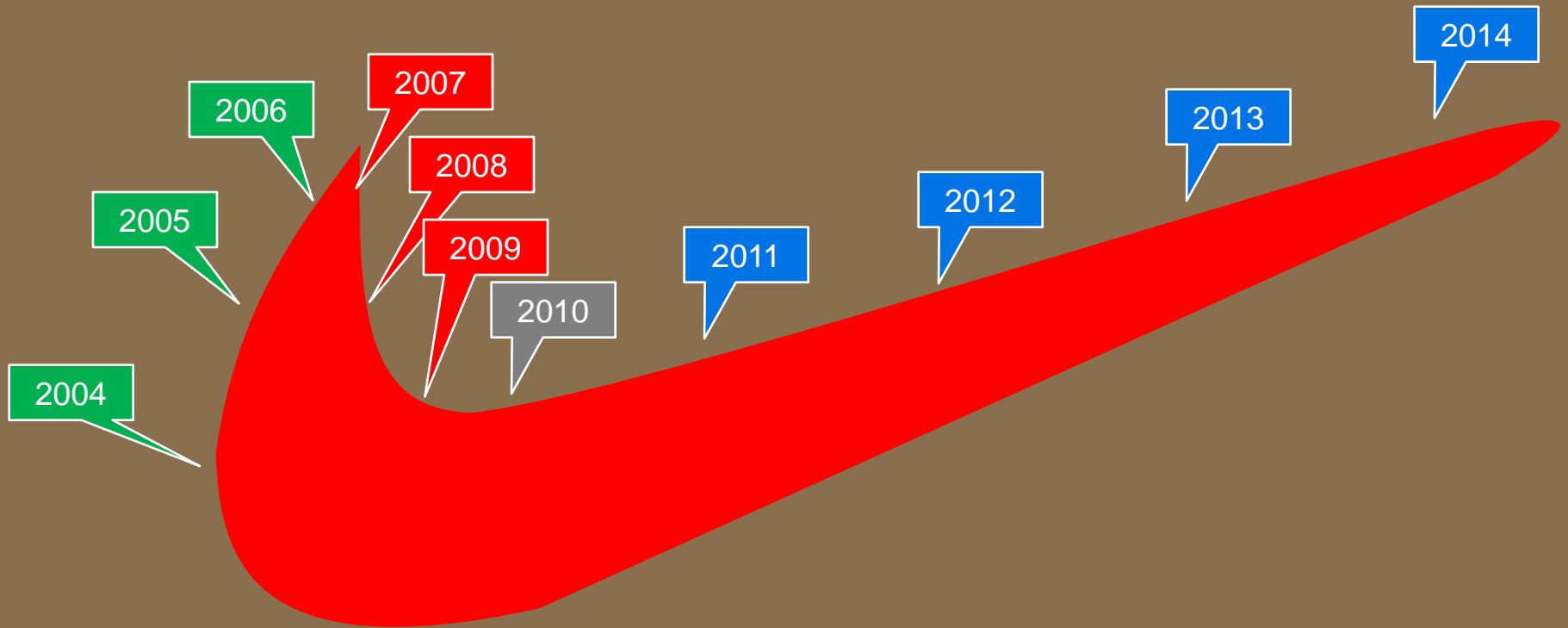
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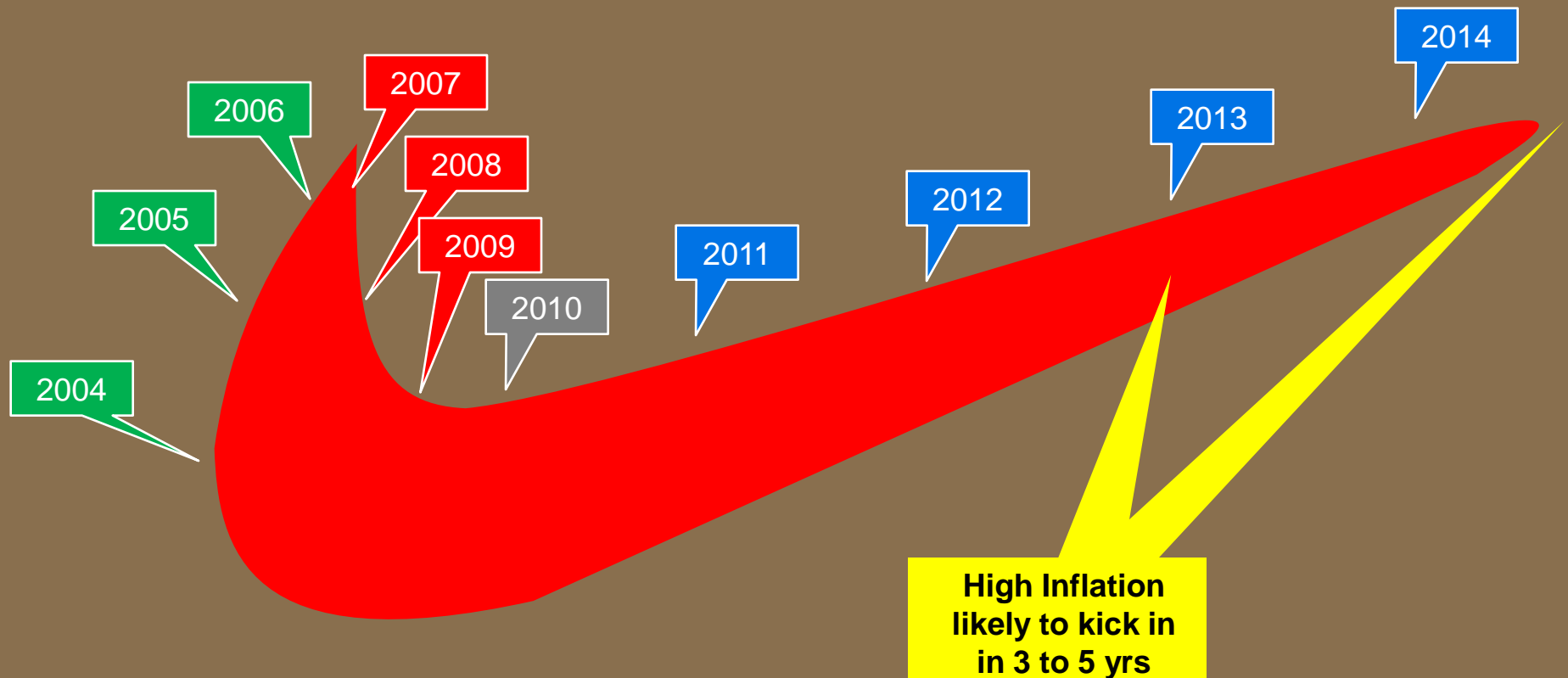
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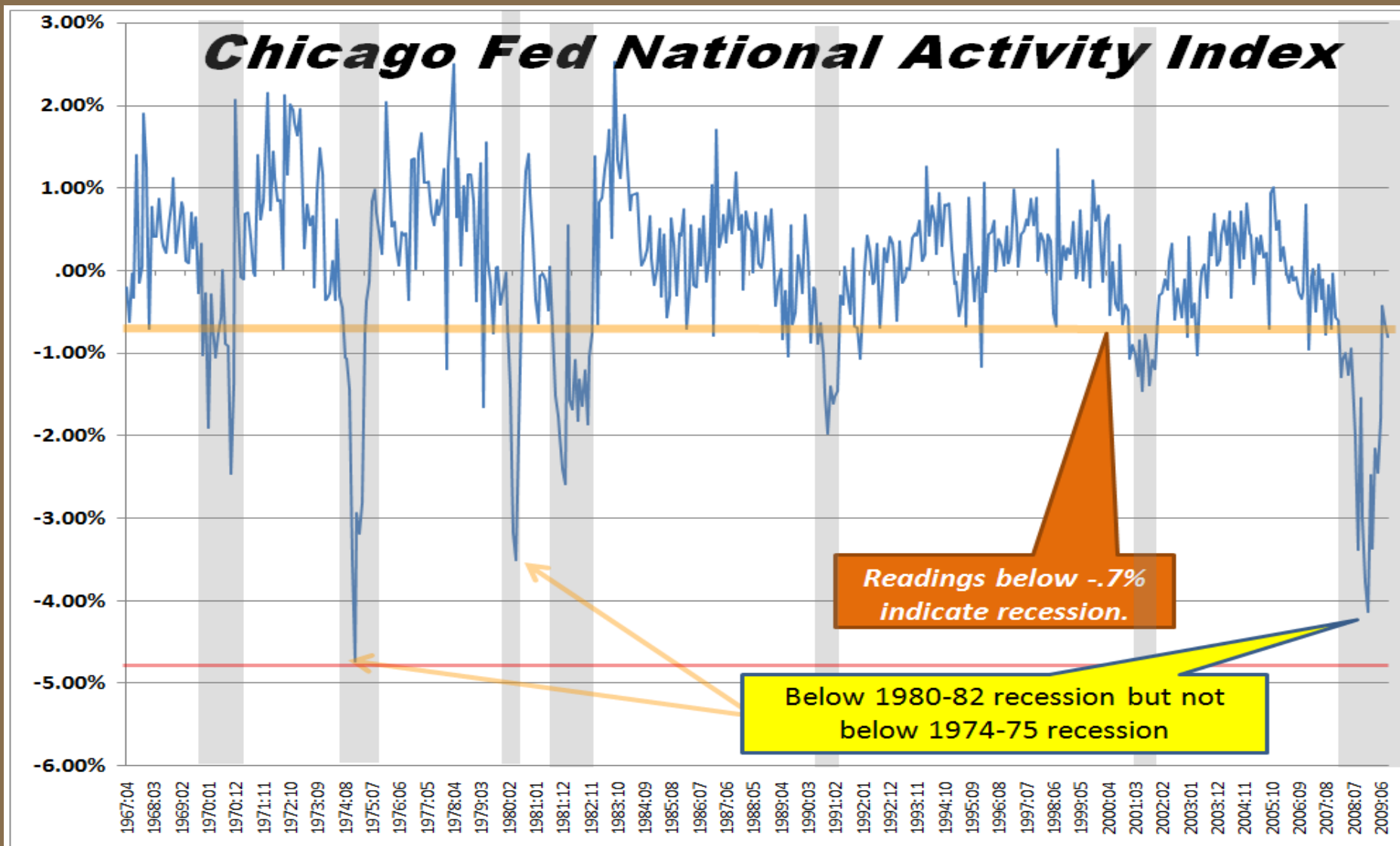
“Nike” Whoosh Forecast



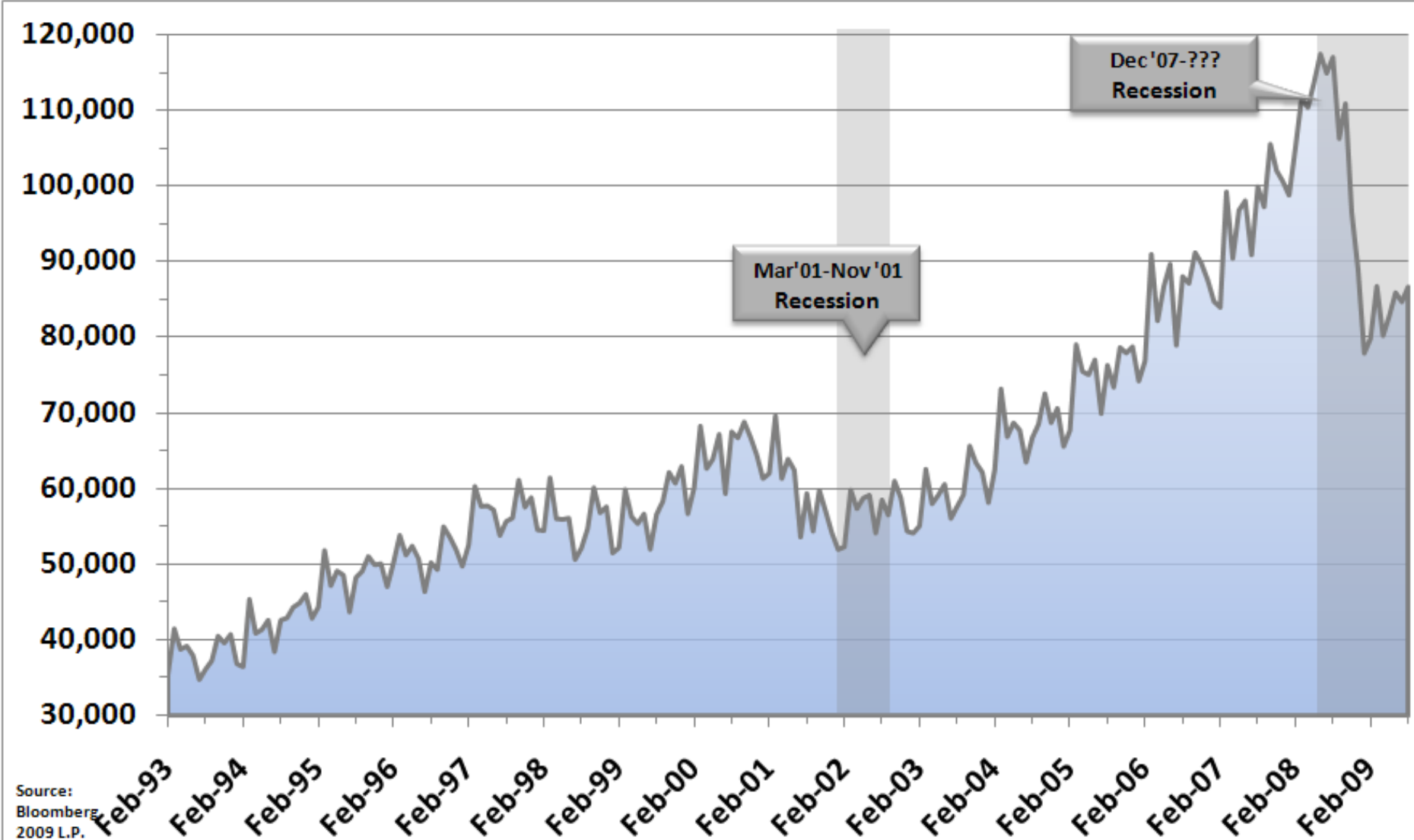
“Nike” Whoosh Forecast



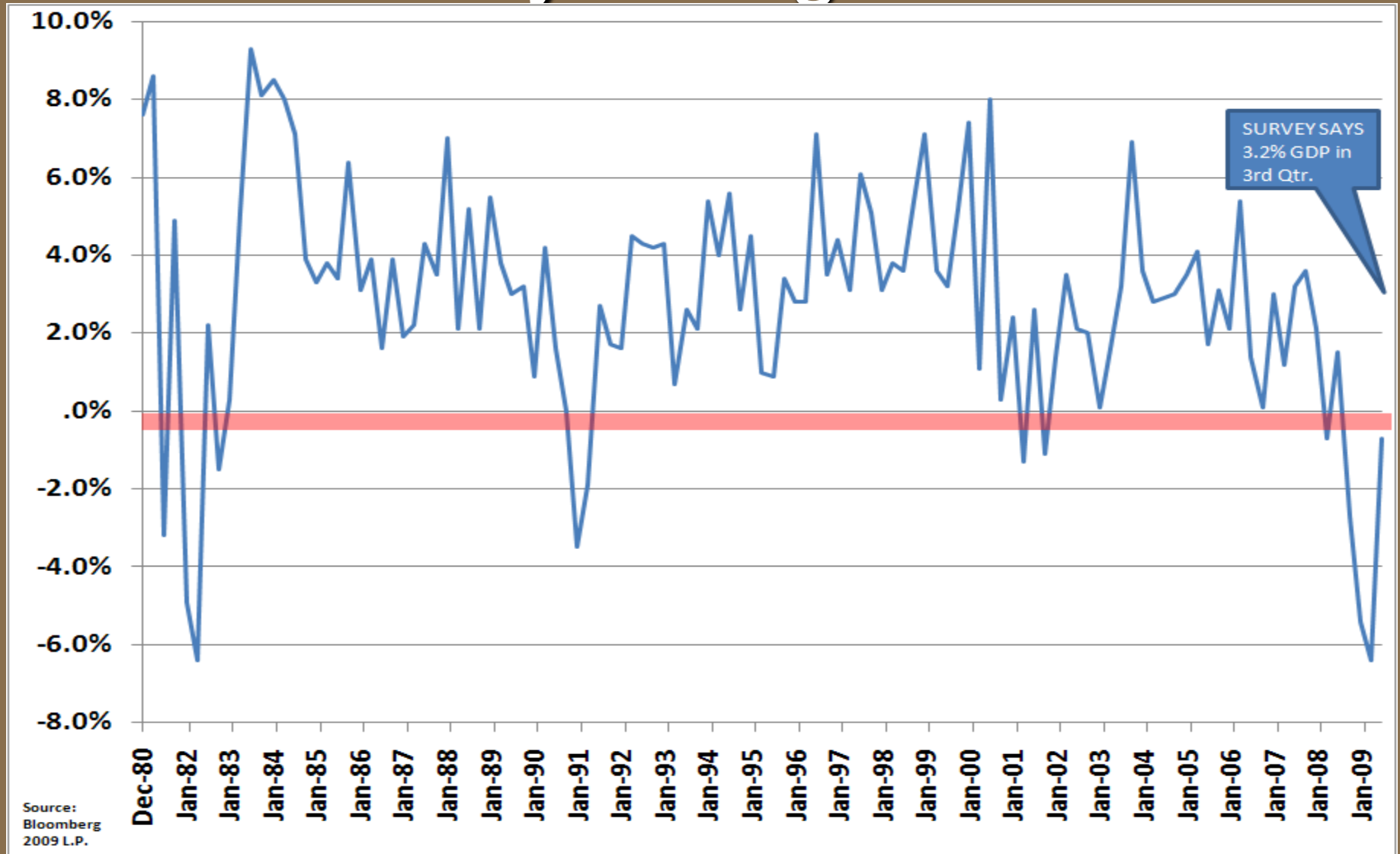
Is the US Recession nearing an end?



US Exports stabilizing after '08 crash



Quarterly change in GDP

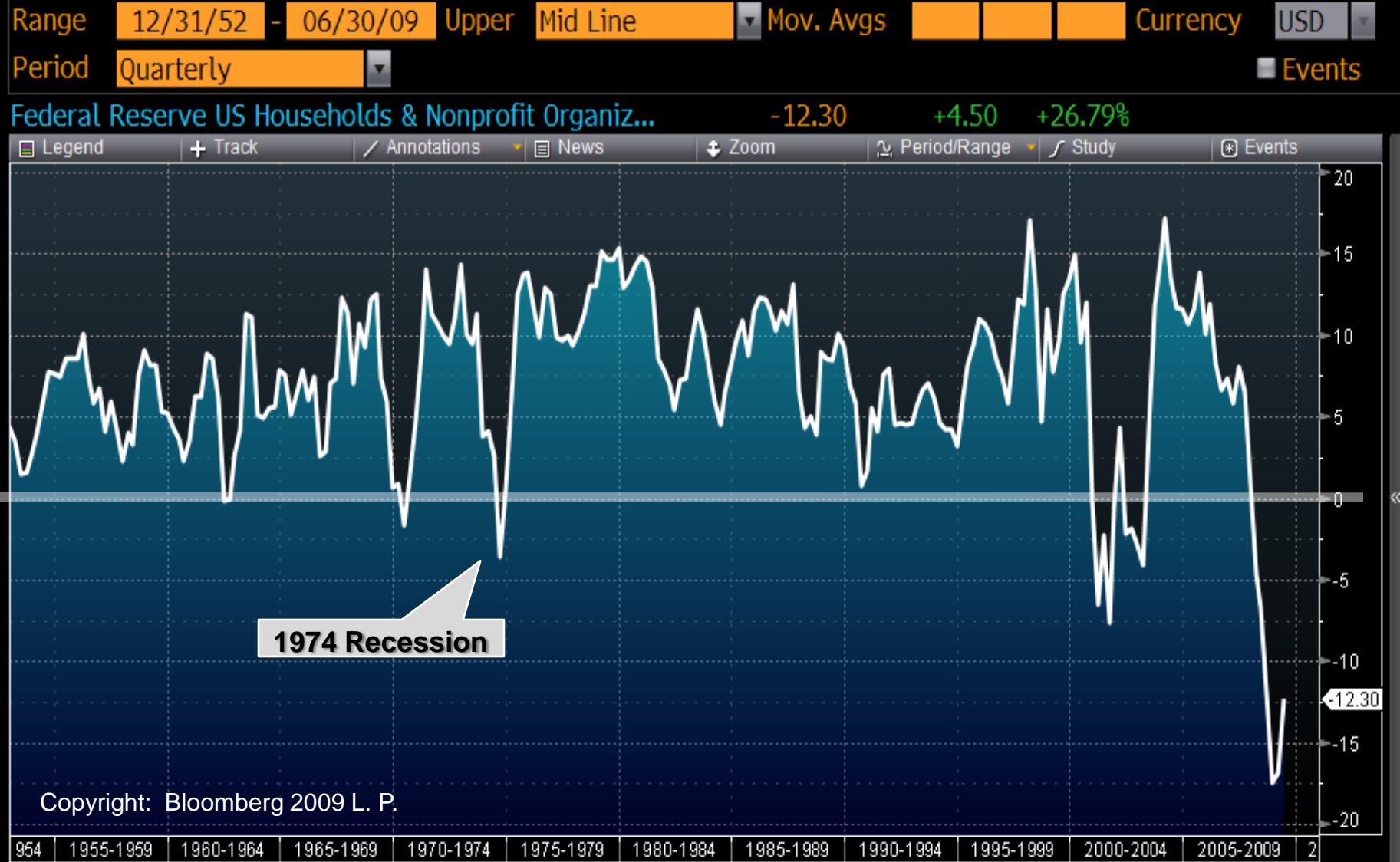


Continuing Jobless Claims as a % of Non-Farm payrolls.

Starting to decrease. Greater than '80-82 recession, less than '74-75



Change in Net Worth better, but still negative



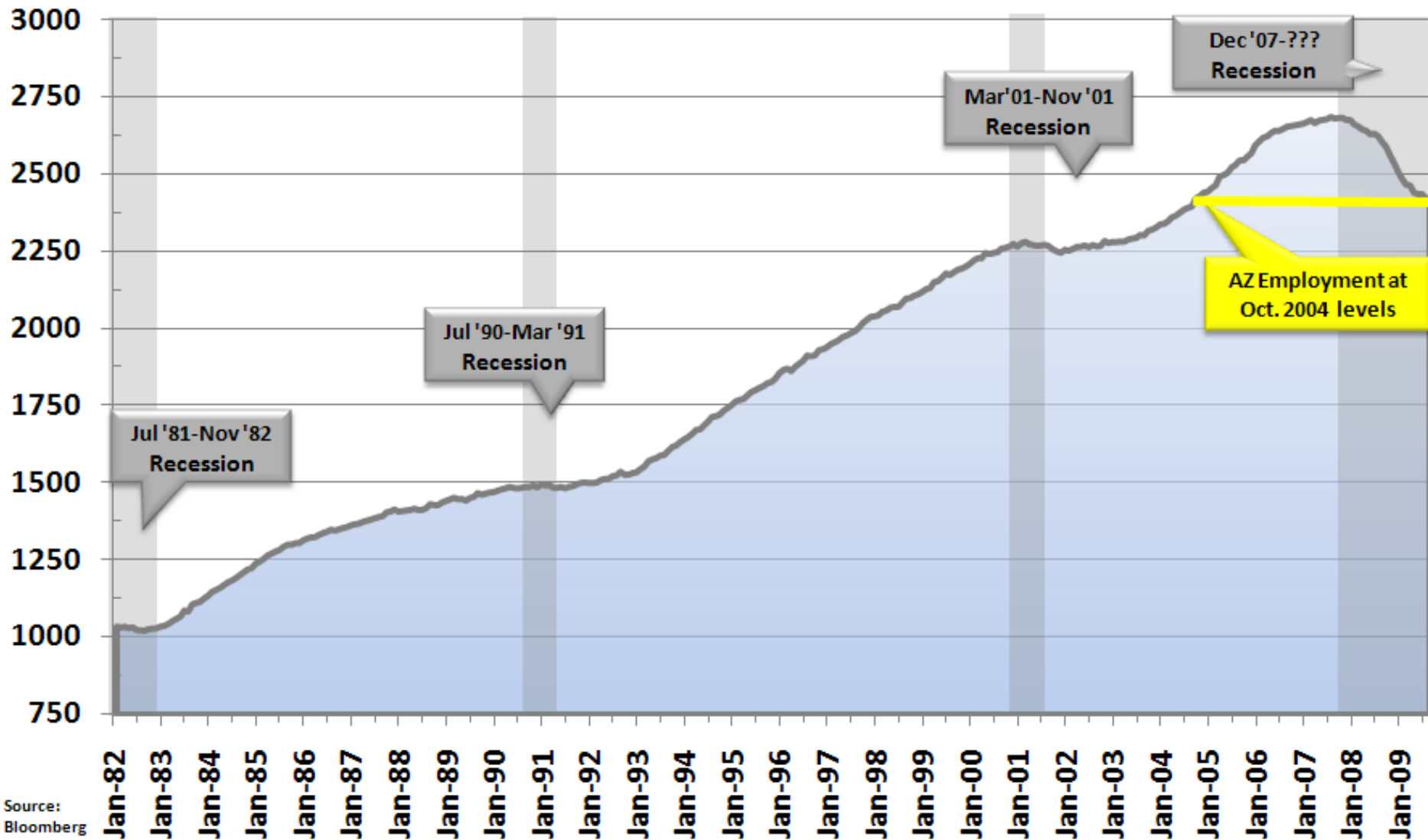
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AZ Non-Farm Jobs



Source:
Bloomberg
2009 L.P.



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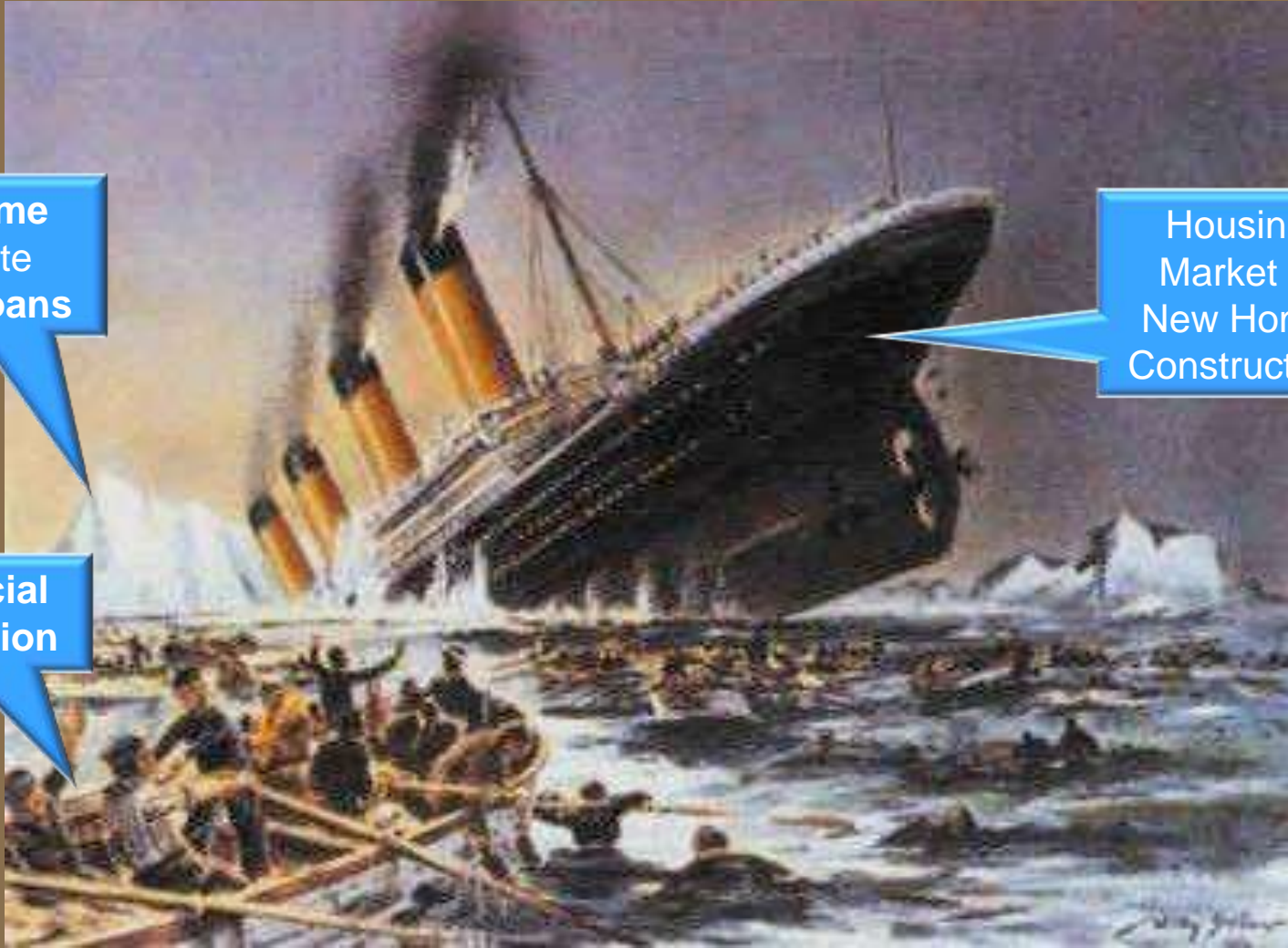
Housing & Construction

Previous Outlook

Sub-prime
High-rate
NINJA Loans

Housing
Market &
New Home
Construction

Commercial
Construction



Housing & Construction

Current Status



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Commercial Property Bubble Burst Last Year



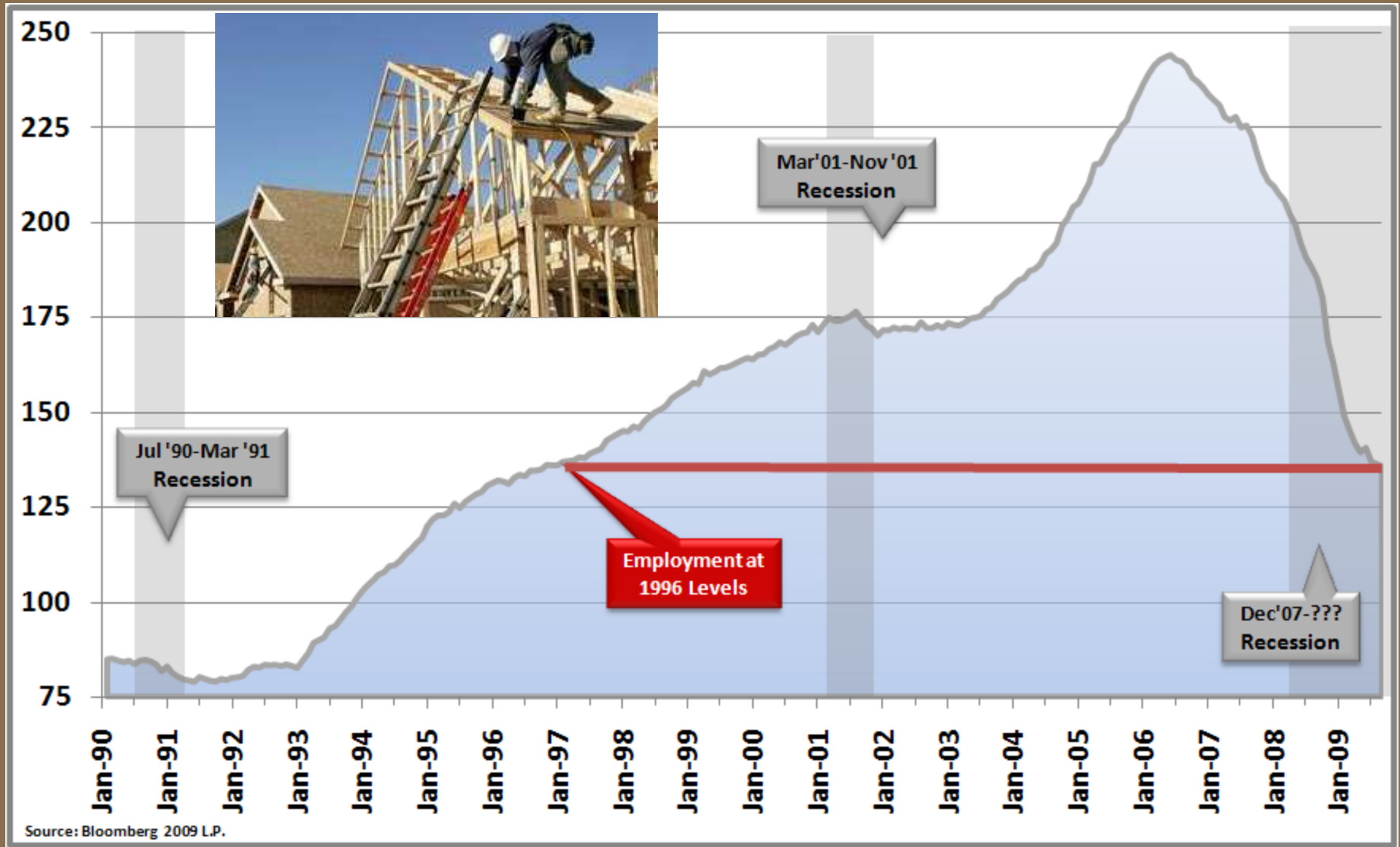
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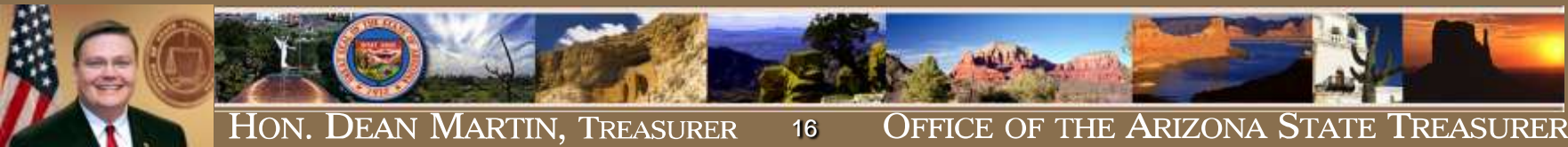
AZ Construction Employment at 1996 levels!



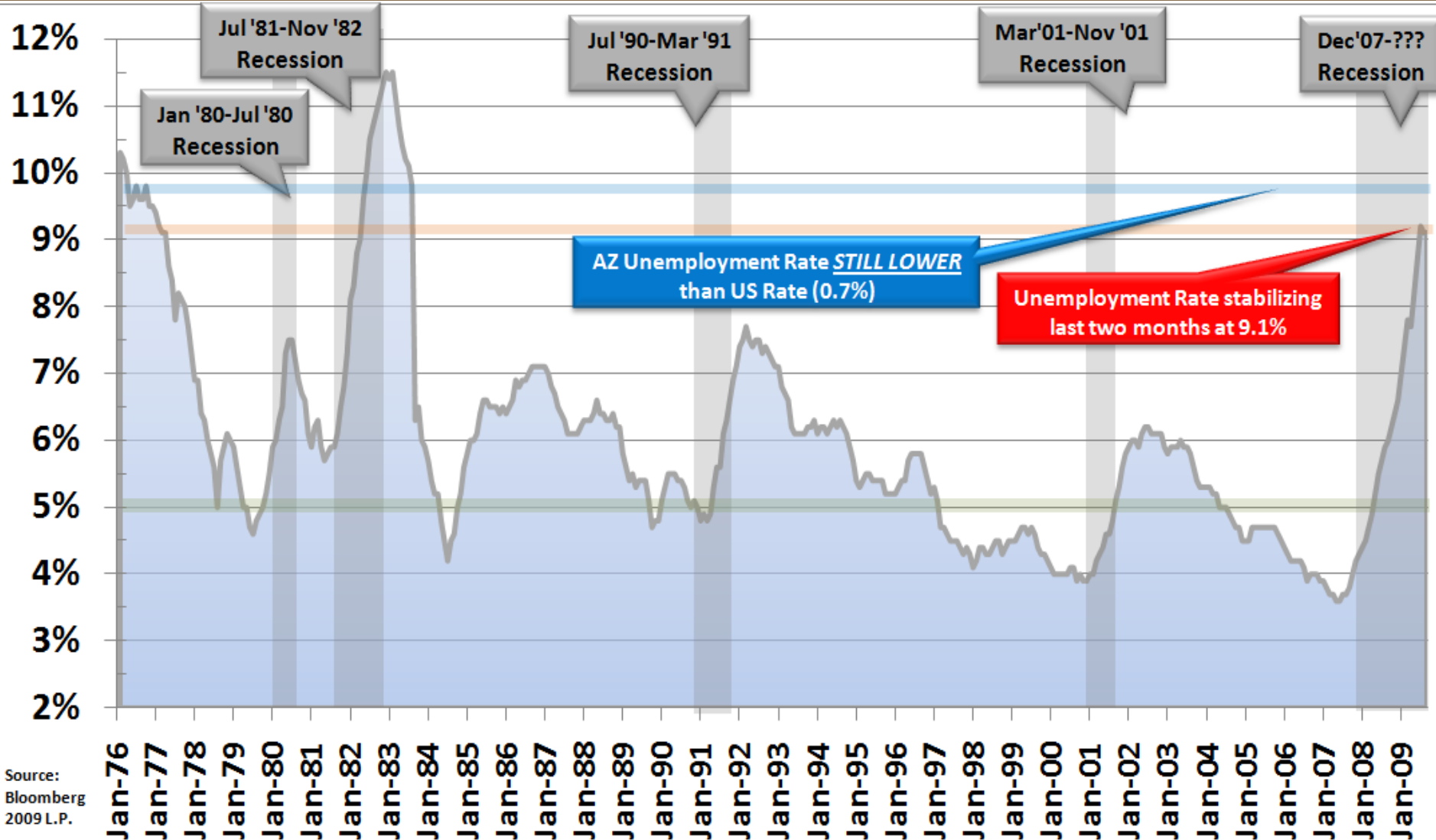
So how about some good news?



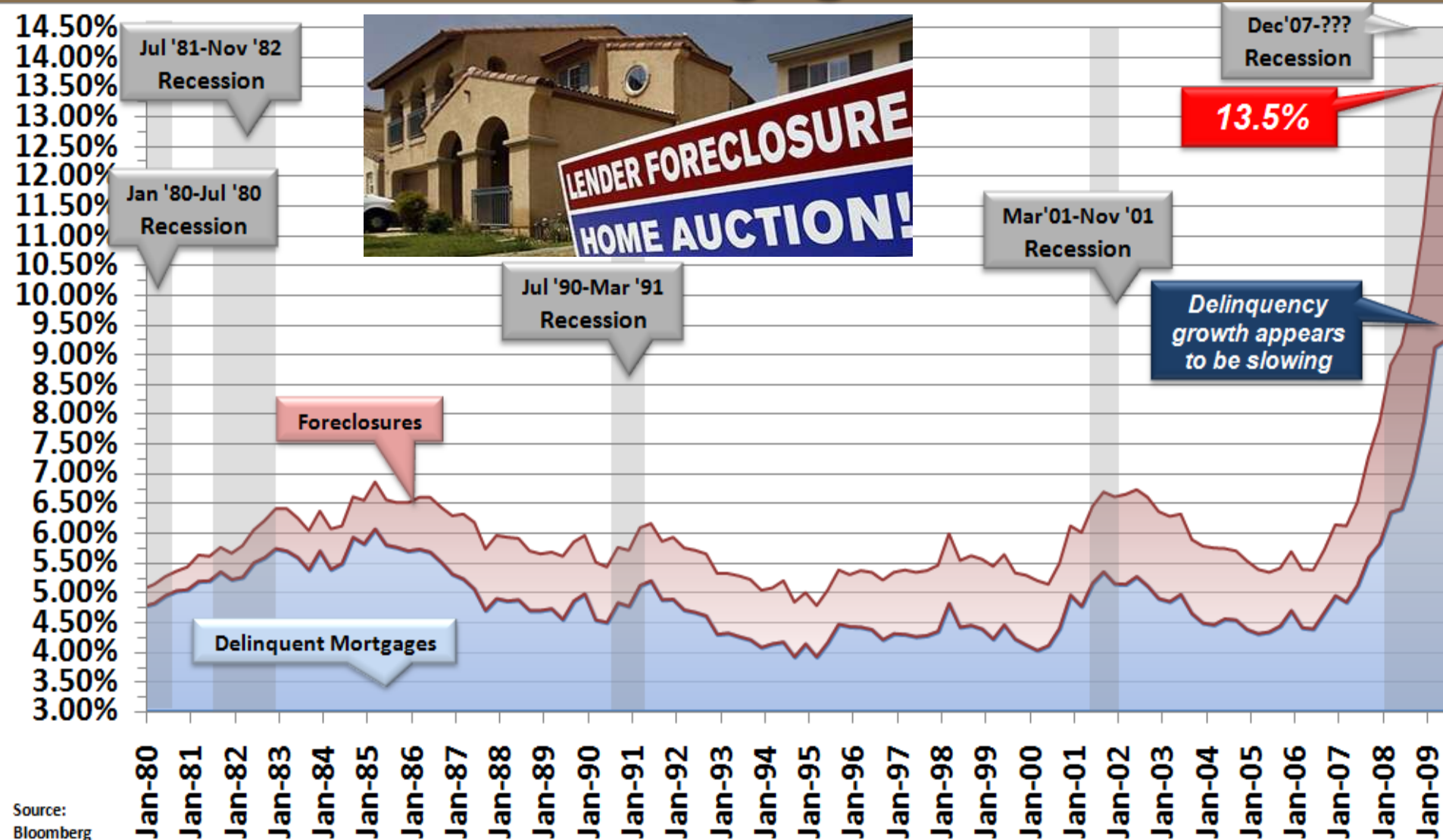
*I just saved a bunch
of money on my car
insurance!*



AZ Unemployment



13.5% of US Mortgages Distressed



Source:
Bloomberg
2009 L.P.



Arizona still Over Stocked on Homes, but improving



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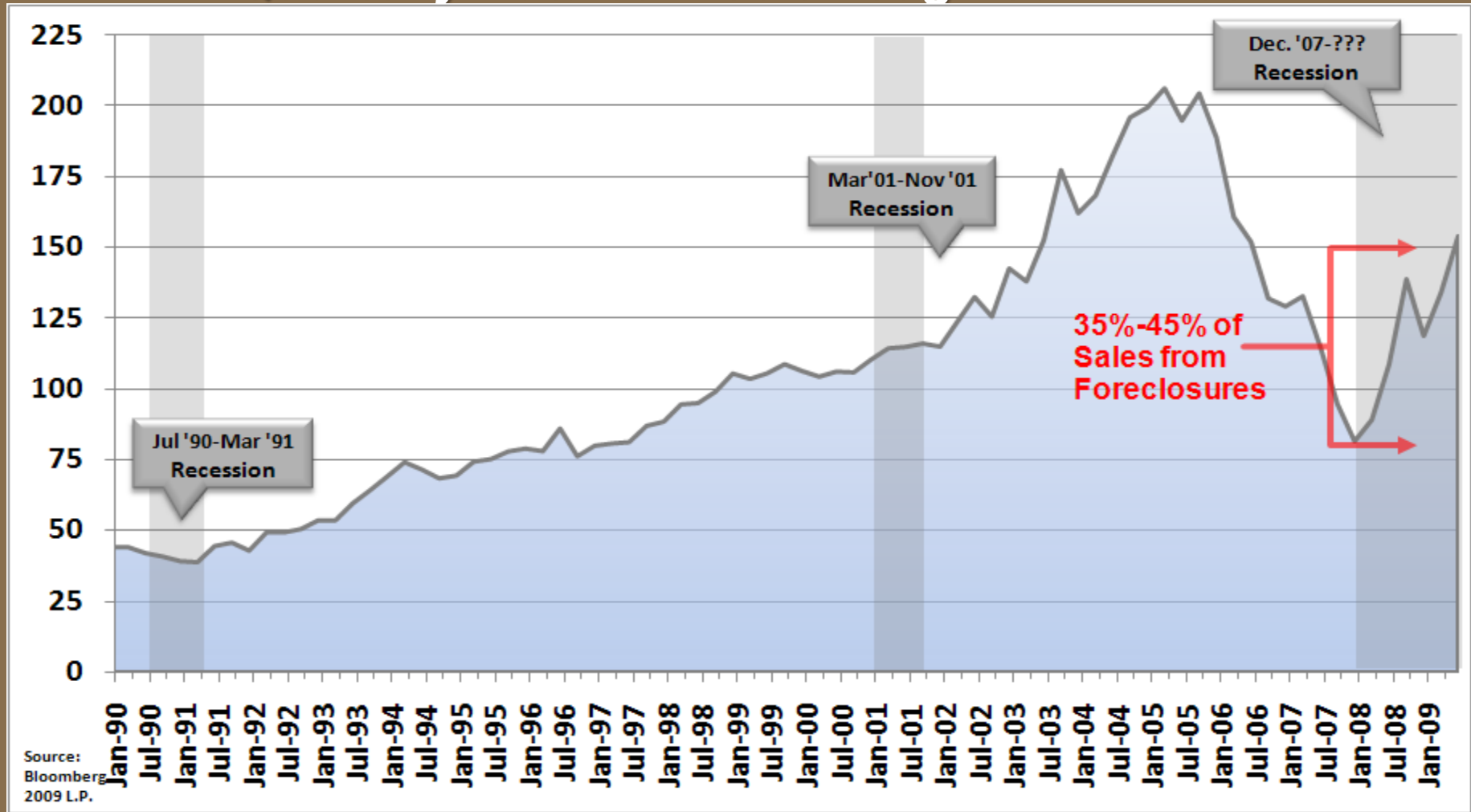
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Arizona Sales of Existing Homes Moving Up

Clearing out the surplus inventory of homes is good news!

Quarterly Data Jan. 90 through June 2009



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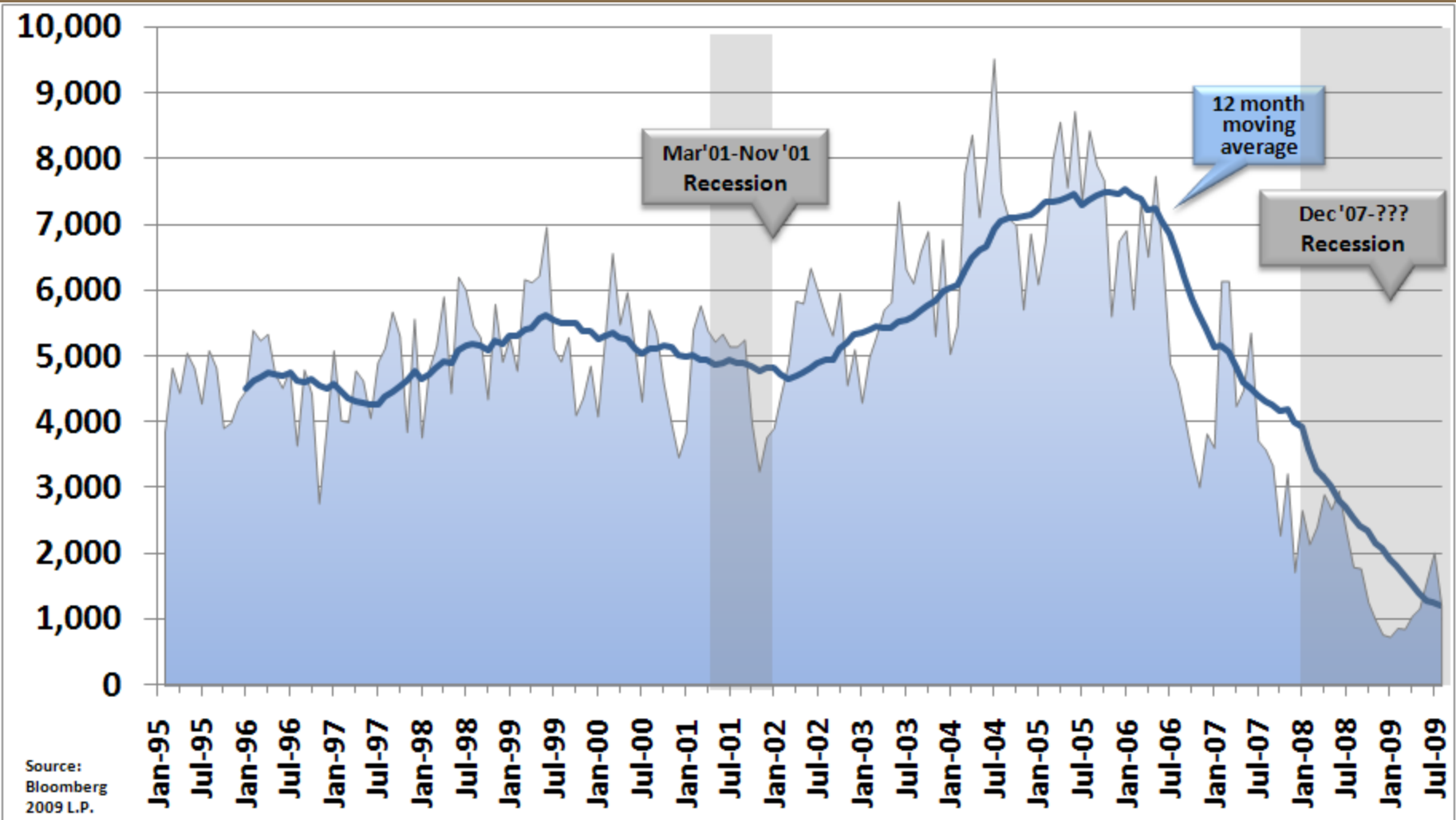
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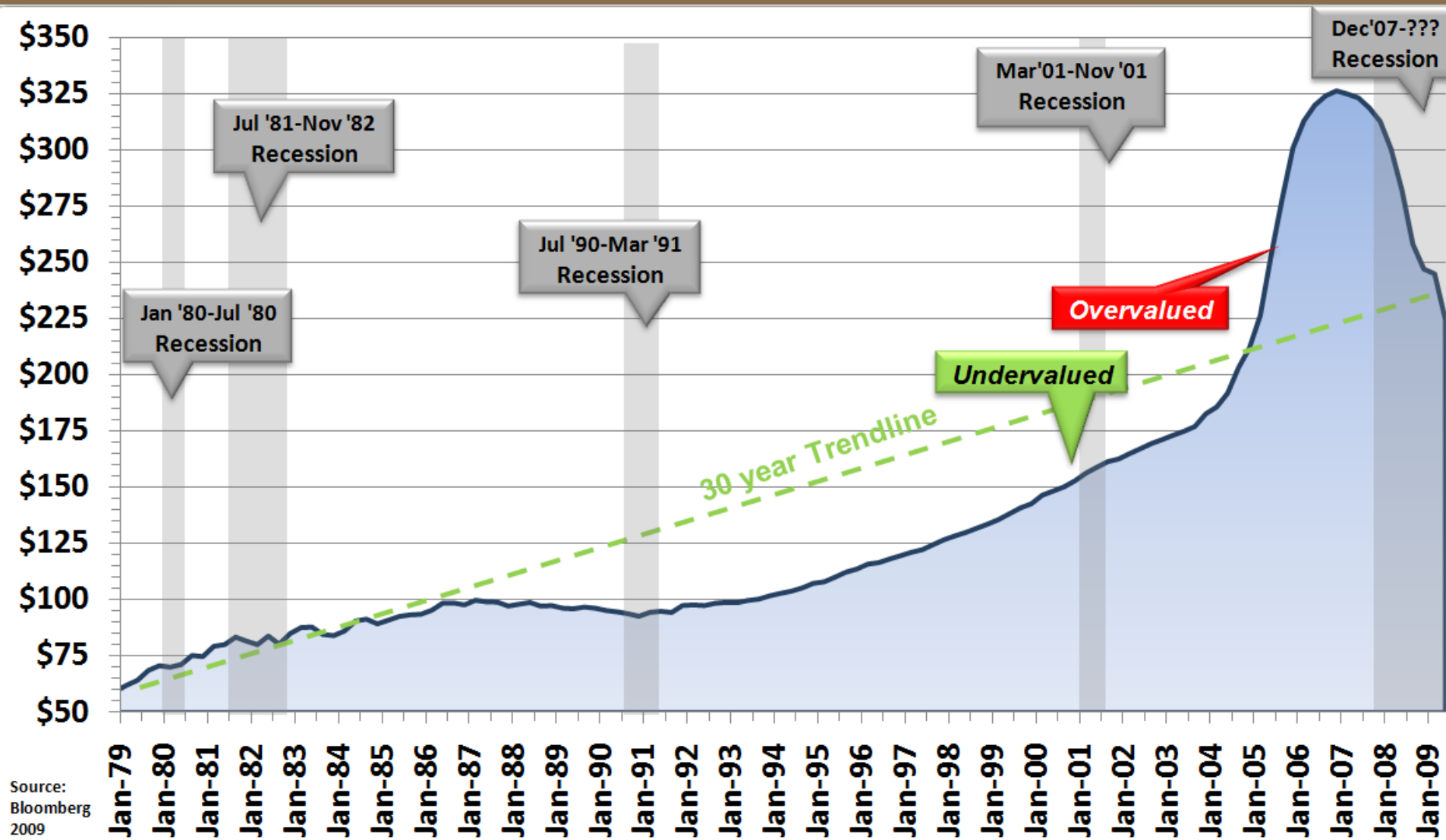


Arizona Housing Permits: Recovering?

Total Monthly Arizona Residential Building Permits 1995 to August 2009



AZ Conventional Mortgage Price Index for Valley



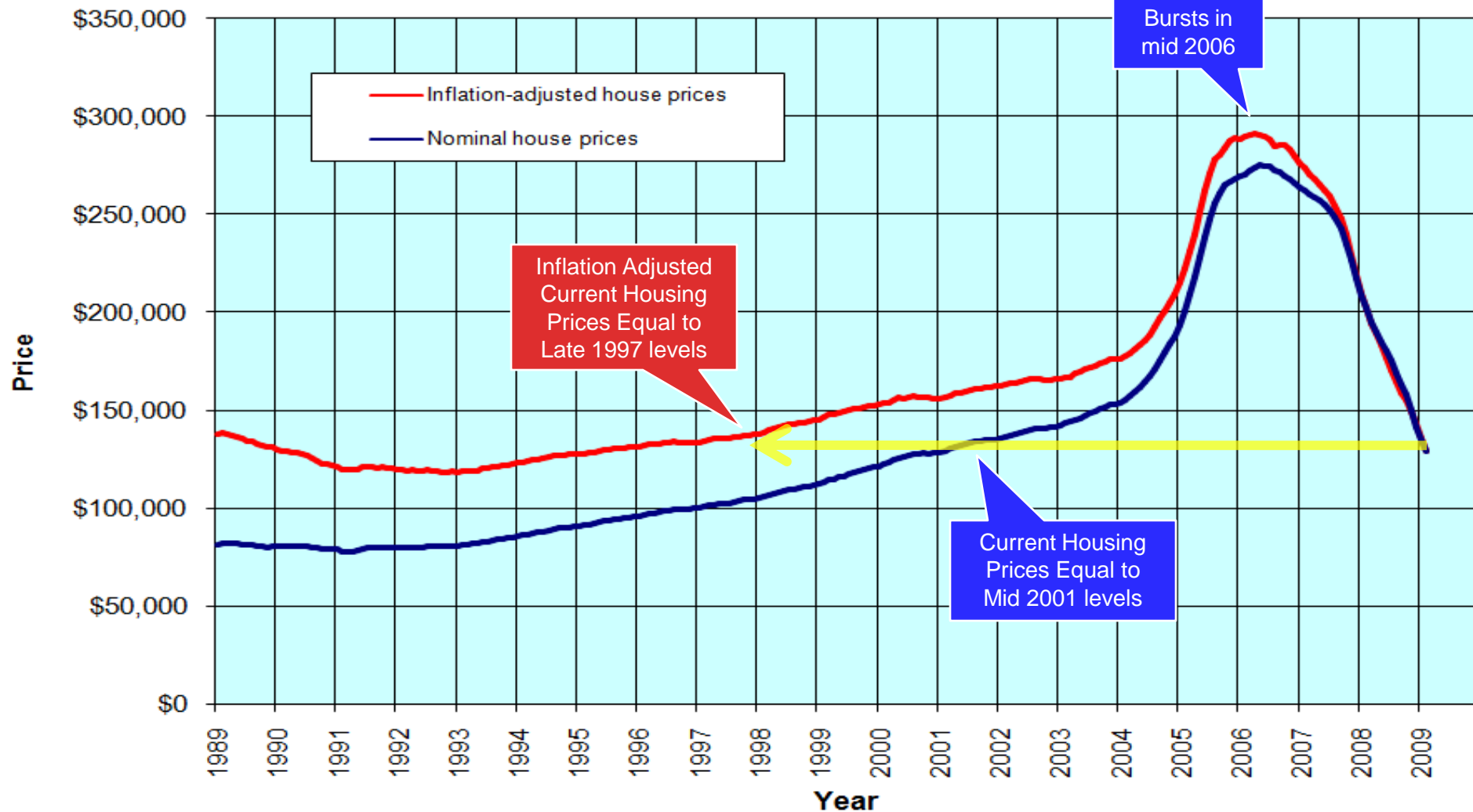
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Phoenix, Arizona Metropolitan Area House Prices

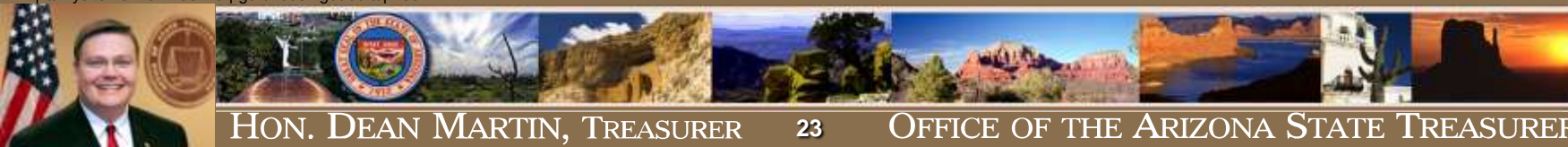


Latest quarterly, median, existing, single-family home price provided by the National Association of Realtors. Trailing house price index data provided by Standard & Poors.

Inflation data provided by the Federal Reserve Bank of Cleveland.

The chart on this page estimates the market value of today's median-priced house over time. The trailing nominal prices are derived by taking the recent median price of existing single-family homes, as reported by the National Association of Realtors, and discounting it by the S&P/Case-Shiller Home Price Index. The S&P/Case-Shiller HPI is a "constant quality" index, so even though houses are built larger today than they were many years ago, this graph automatically adjusts for this variation. The trailing inflation-adjusted prices are then derived by adjusting the nominal prices by the *CPI-U Research Series Using Current Methods*.

<http://mysite.verizon.net/vzeqrguz/housingbubble/phoenix.html>



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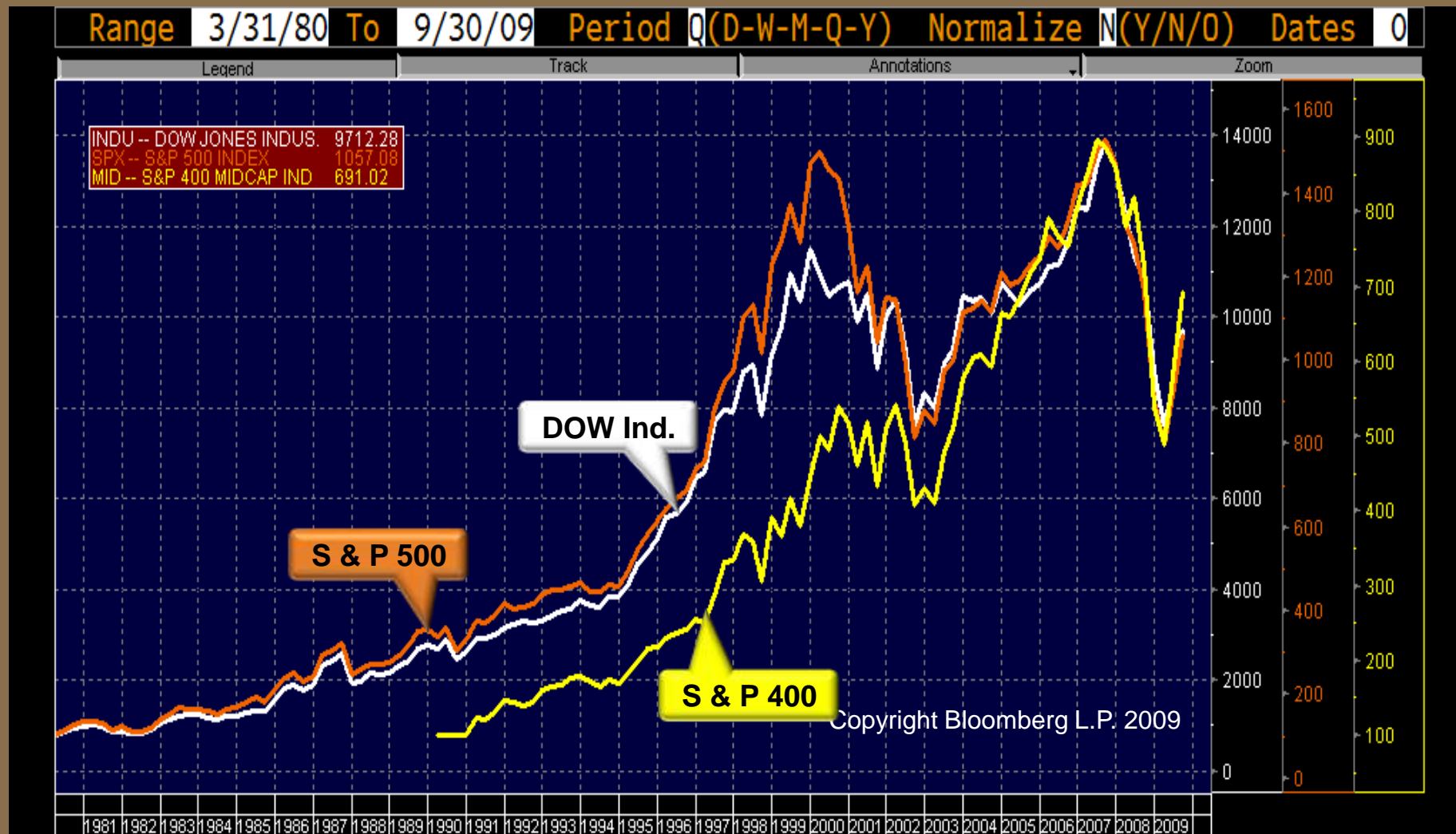
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Big Equity Rally off of March lows

DOW, S&P 500 & 400 Quarterly since 1980



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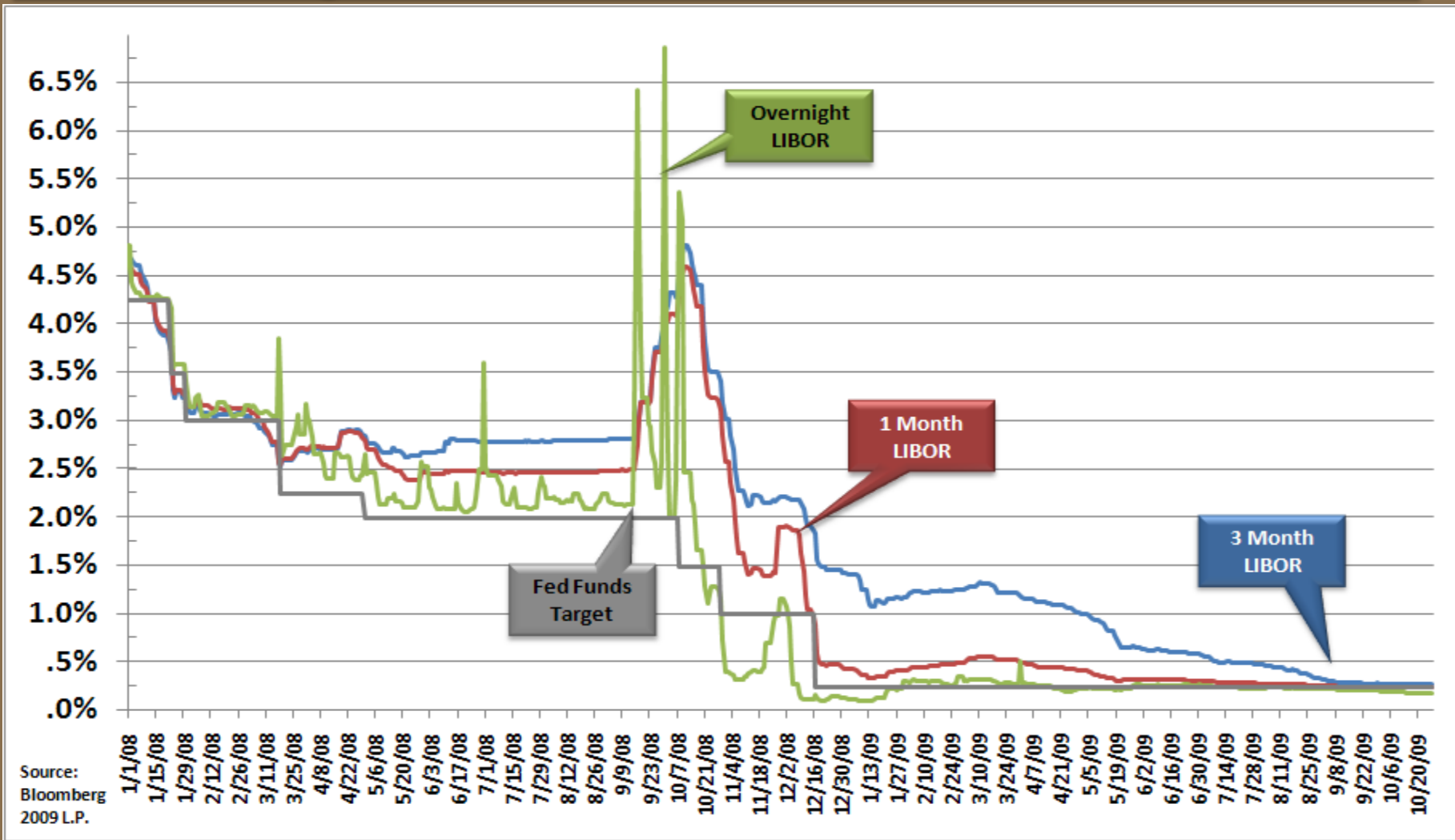


***In October 2008 we forecasted the credit freeze
would ease to “regular credit crunch” by year end.***
3-month LIBOR vs overnight swap rate (spread)



Freeze is over

Measuring The Freeze LIBOR vs Fed Funds



As Credit Crunch Eased, Other indicators also have eased but some still above normal ranges

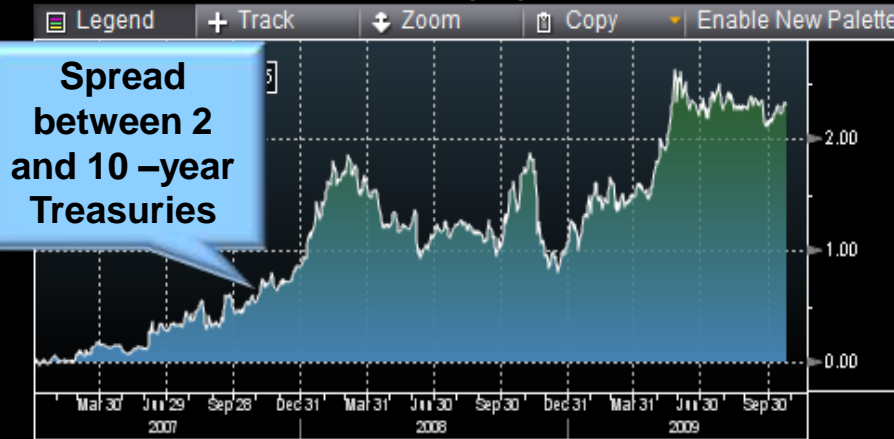
USD 3MLibor - OIS



VIX - CBOE SPX Volatility Index



USD 2-10 Swap Spread



CDX Inv Grade Index 5Y



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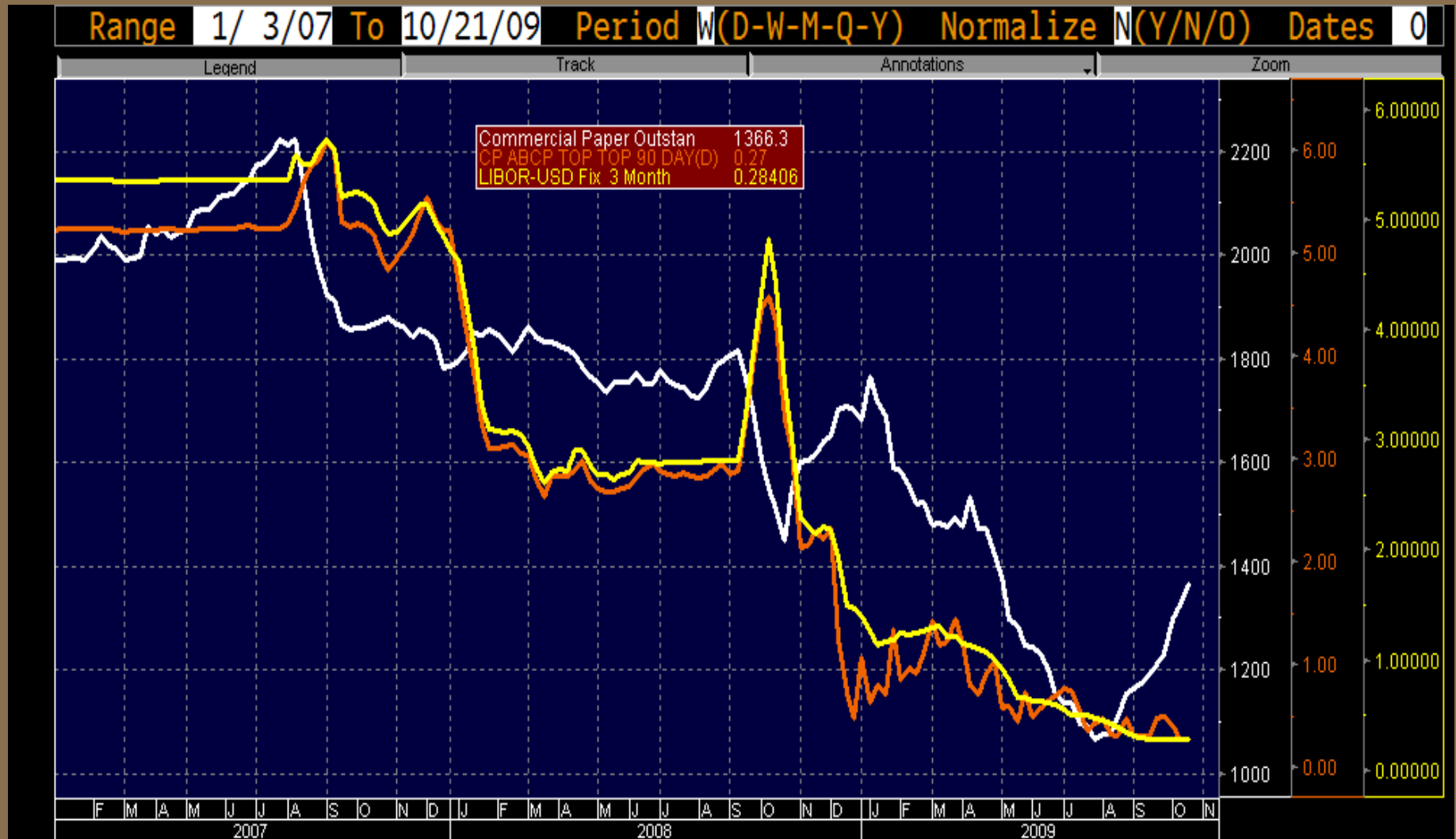
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Asset Backed Commercial Paper issuance growing as rates normalize and risk appetite increases



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Global Losses Up \$135 billion to \$1.65 trillion

Americas \$1.1 trillion!!

Base Currency: Billions		USD	Last Update: 10/26/09 07:26:48						More Periods		6)	>>	
		Total		4Q09		3Q09		2Q09		1Q09		4Q08	
10)	All Financial	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital
11)	Worldwide	1659.0	1401.1	.0	13.7	37.1	69.3	127.2	118.2	147.6	255.9	380.2	447.6
12)	Americas	1111.0	759.6	.0	1.0	36.7	13.5	102.7	95.1	100.7	122.0	243.2	266.4
13)	Europe	505.6	532.9	.0	10.8	.4	35.6	23.9	11.5	43.7	114.4	132.7	152.5
14)	Asia	42.4	108.6	.0	1.9	.0	20.1	.7	11.7	3.2	19.5	4.3	28.7
15)	Banks/Brokers												
16)	Worldwide	1174.5	1141.2	.0	13.7	37.1	57.1	72.5	79.4	101.0	180.3	269.5	377.8
17)	Citigroup Inc.	117.8	109.4	.0	.0	5.6	.0	10.3	.0	13.8	15.0	19.7	45.3
18)	Wachovia Corporation	101.9	11.0	.0	.0	.0	.0	.0	.0	.0	.0	49.8	.0
19)	Bank of America Corp.	80.0	99.3	.0	.0	10.1	.0	13.3	20.8	13.8	32.8	14.5	25.0
20)	JPMorgan Chase & Co.	57.0	50.7	.0	1.0	7.8	.0	8.0	5.0	7.7	.0	9.8	25.0
21)	Merrill Lynch & Co.	55.9	29.9	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
22)	UBS AG	52.8	40.0	.0	.0	.0	.0	-.2	3.7	2.4	.0	2.0	6.3
23)	Insurers												
24)	Worldwide	246.6	141.7	.0	.0	.0	1.5	2.6	13.8	13.8	29.6	71.5	56.0
25)	American International Gr	101.4	96.1	.0	.0	.0	.0	11.6	4.8	2.5	25.0	23.3	40.7
26)	Ambac Financial Group...	12.1	1.4	.0	.0	.0	.0	1.6	.0	-1.6	.0	1.5	.0
27)	Hartford Financial SVCS...	11.6	6.4	.0	.0	.0	.0	-.8	3.4	.5	.0	5.1	2.5
28)	Metlife Inc	10.0	4.9	.0	.0	.0	.0	-2.1	2.7	-.6	.0	5.6	2.3
29)	Prudential Financial Inc	9.2	5.9	.0	.0	.0	.0	-2.5	1.2	2.9	1.7	3.0	.0
GSE													
30)	Freddie Mac	119.6	57.7	.0	.0	.0	.0	24.5	6.1	13.5	30.8	22.2	13.8
31)	Fannie Mae	118.3	60.5	.0	.0	.0	10.7	27.7	19.0	19.3	15.2	17.0	.0
7) Table View		8) Chart View											

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7) Table View 8) Chart View



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Freddie and Fannie now top Americas Losses!

All Financial		Last Update: 10/26/09 07:26:48										More Periods		4)	>>
		Total		4Q09		3Q09		2Q09		1Q09		4Q08			
Region		Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital		
7) Worldwide		1659.0	1401.1	.0	13.7	37.1	69.3	127.2	118.2	147.6	255.9	380.2	447.6		
8) Americas		1111.0	759.6	.0	1.0	36.7	13.5	102.7	95.1	100.7	122.0	243.2	266.4		
9) Europe		505.6	532.9	.0	10.8	.4	35.6	23.9	11.5	43.7	114.4	132.7	152.5		
10) Asia		42.4	108.6	.0	1.9	.0	20.1	.7	11.7	3.2	19.5	4.3	28.7		

Americas Data:

Base Currency: Billions												USD	
Firm	Loss↑	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	
11) Freddie Mac →	119.6	57.7	.0	.0	.0	.0	24.5	6.1	13.5	30.8	22.2	13.8	
12) Fannie Mae →	118.3	60.5	.0	.0	.0	10.7	27.7	19.0	19.3	15.2	17.0	.0	
13) Citigroup Inc.	117.8	109.4	.0	.0	5.6	.0	10.3	.0	13.8	15.0	19.7	45.3	
14) Wachovia Corporation	101.9	11.0	.0	.0	.0	.0	.0	.0	.0	.0	49.8	.0	
15) American Internation...	101.4	96.1	.0	.0	.0	.0	11.6	4.8	2.5	25.0	23.3	40.7	
16) Bank of America Corp.	80.0	99.3	.0	.0	10.1	.0	13.3	20.8	13.8	32.8	14.5	25.0	
17) JPMorgan Chase & Co.	57.0	50.7	.0	1.0	7.8	.0	8.0	5.0	7.7	.0	9.8	25.0	
18) Merrill Lynch & Co.	55.9	29.9	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
19) Washington Mutual Inc.	45.3	12.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
20) Wells Fargo & Company	38.0	50.4	.0	.0	5.6	.0	4.7	8.6	4.3	.0	8.6	36.0	
21) National City Corp.	25.2	8.9	.0	.0	.0	.0	.0	.0	.0	.0	19.9	.0	
22) Morgan Stanley	23.3	28.8	.0	.0	.4	.0	.2	4.2	1.2	.0	5.8	19.0	
23) Lehman Brothers Holdin	16.2	13.9	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	
24) PNC Financial Service...	13.3	8.7	.0	.0	.9	.0	.7	.6	4.8	.0	3.3	7.6	
25) Ambac Financial Grou...	12.1	1.4	.0	.0	.0	.0	1.6	.0	-1.6	.0	1.5	.0	

5) Table View 6) Chart View

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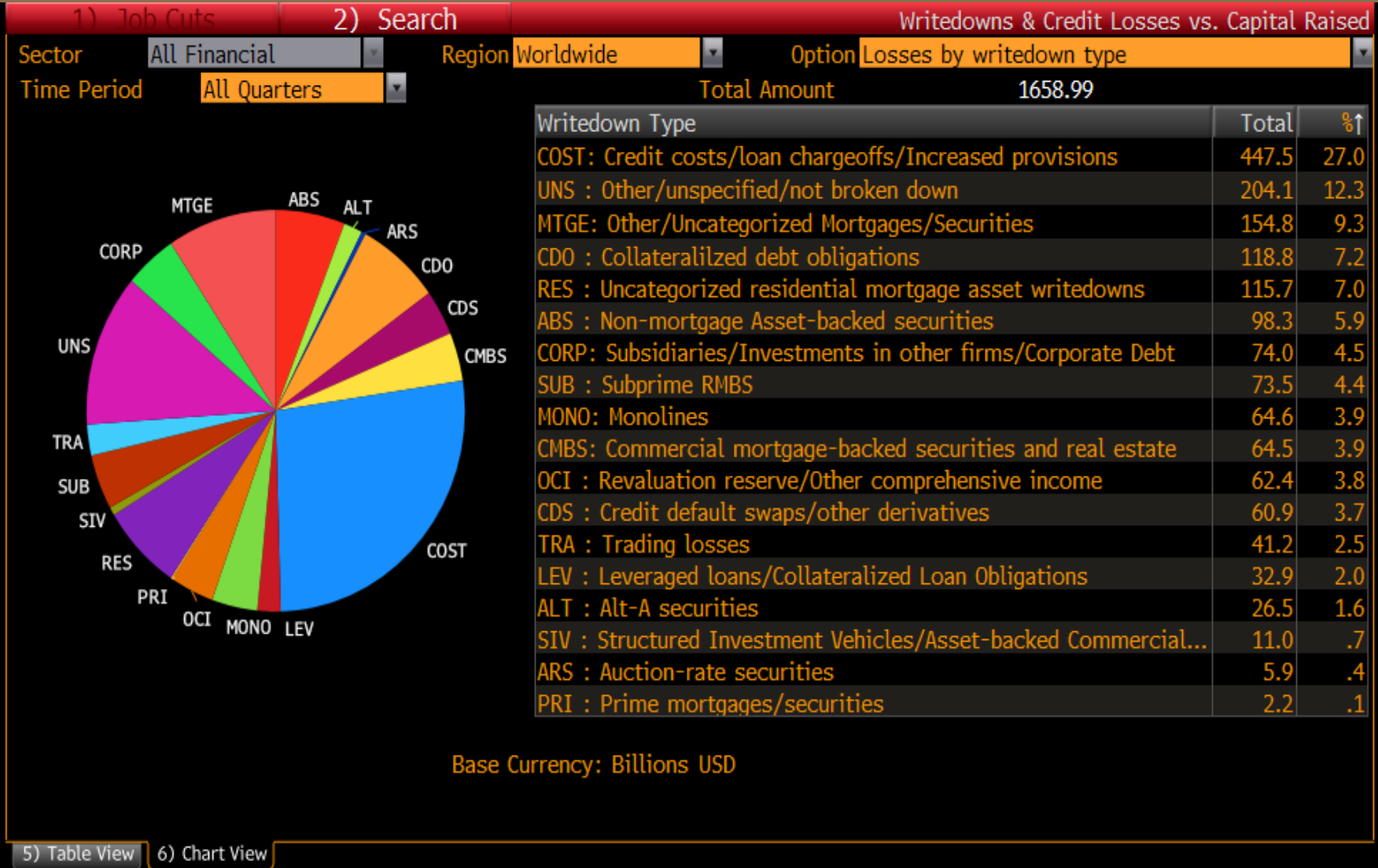
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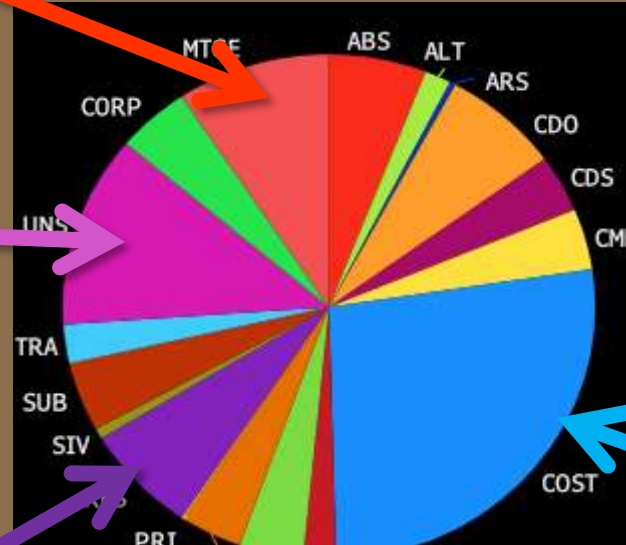


What are the losses from?





**Mortgage Securities
\$154.8 Billion**



**Other:
\$204.1
Billion**

**Credit Costs / Other
Loan Charge offs
\$447.5 Billion**



**Mortgage Asset Write-downs:
\$115.7 Billion**



Interest Rate & Yield Outlook

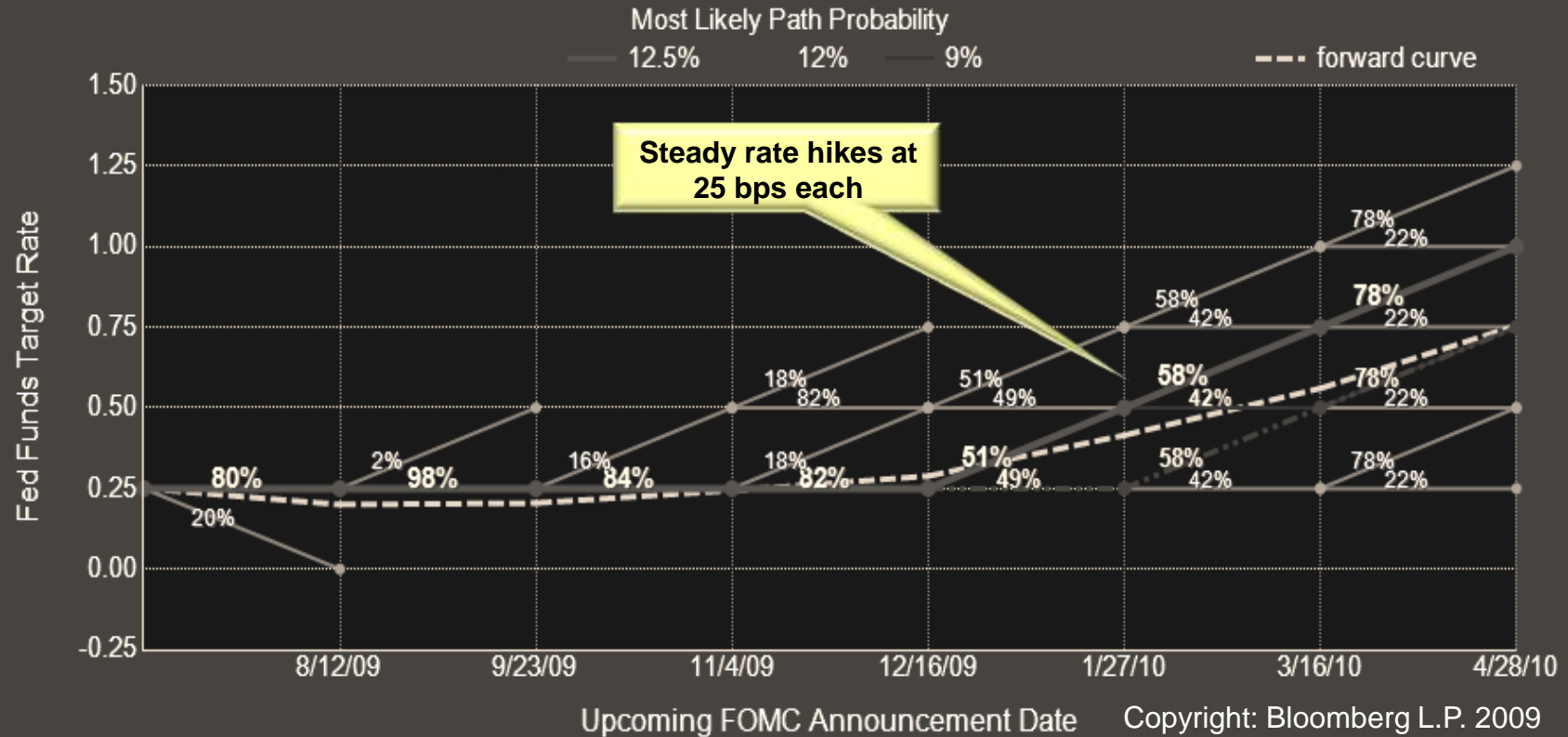


July 2009: Rates rising in 2010

Last Calculated 7/28 13:54 NY

Expected Future Outcomes and Most Likely Path(s)

Show Peripheral Branches



Note: These scenarios were calculated using Fed Funds futures data. The most likely paths are indicated in red. The dotted yellow line represents the average expected outcome (forward curve), or the spine of the tree. Warning: The transition probabilities in the tree are estimated from potentially insufficient information about dynamics of rate changes between two FOMC meetings.

Overview

Current Implied Probability

Historical Implied Probability

Future Implied Probability



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Oct. 2009: Rates won't rise as fast in 2010

Method: ● Options ● Futures (Live) ● Binary Options

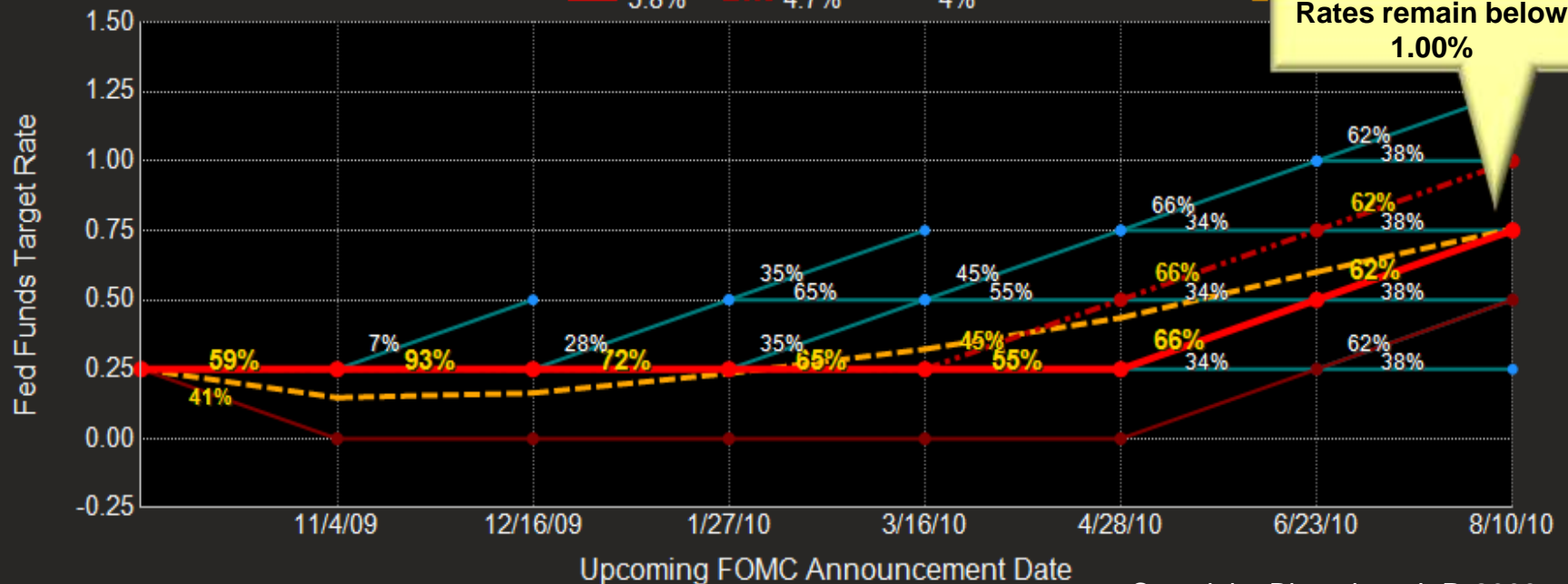
Last Calculated 10/27 17:40 NY

Expected Future Outcomes and Most Likely Path(s)

■ Show Peripheral Branches

Most Likely Path Probability

— 5.8% - - - 4.7% — 4%



Note: These scenarios were calculated using Fed Funds futures data. The most likely paths are indicated in red. The dotted yellow line represents the average expected outcome (forward curve), or the spine of the tree. Warning: The transition probabilities in the tree are estimated from potentially insufficient information about dynamics of rate changes between two FOMC meetings.

Overview

Current Implied Probability

Historical Implied Probability

Future Implied Probability



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Yield Curve Rising on Long End

HISTORICAL YIELD CURVE

PAGE 1 OF

DATE RANGE

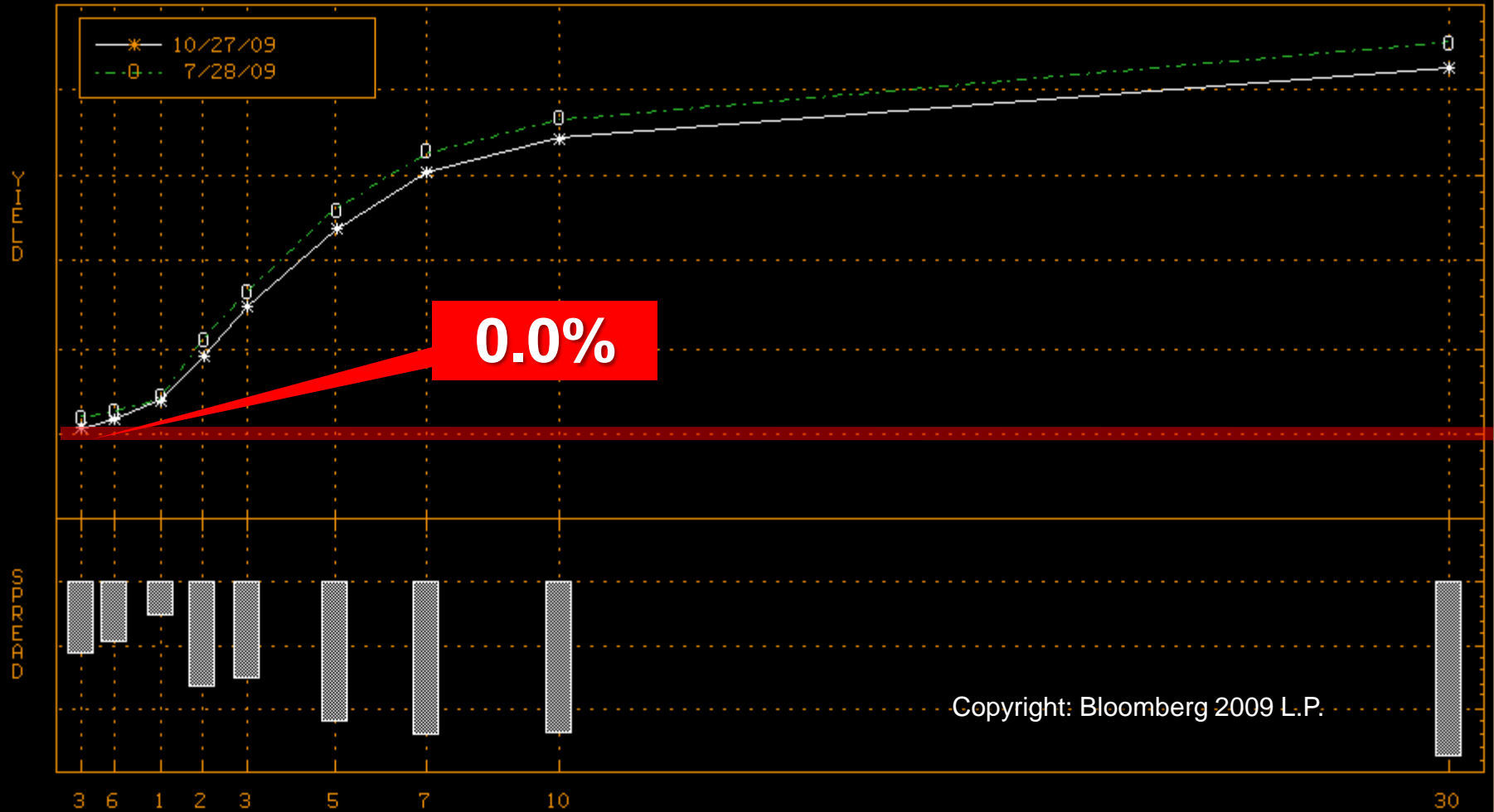
7/28/09

10/27/09

MTY RANGE

3M

30Y



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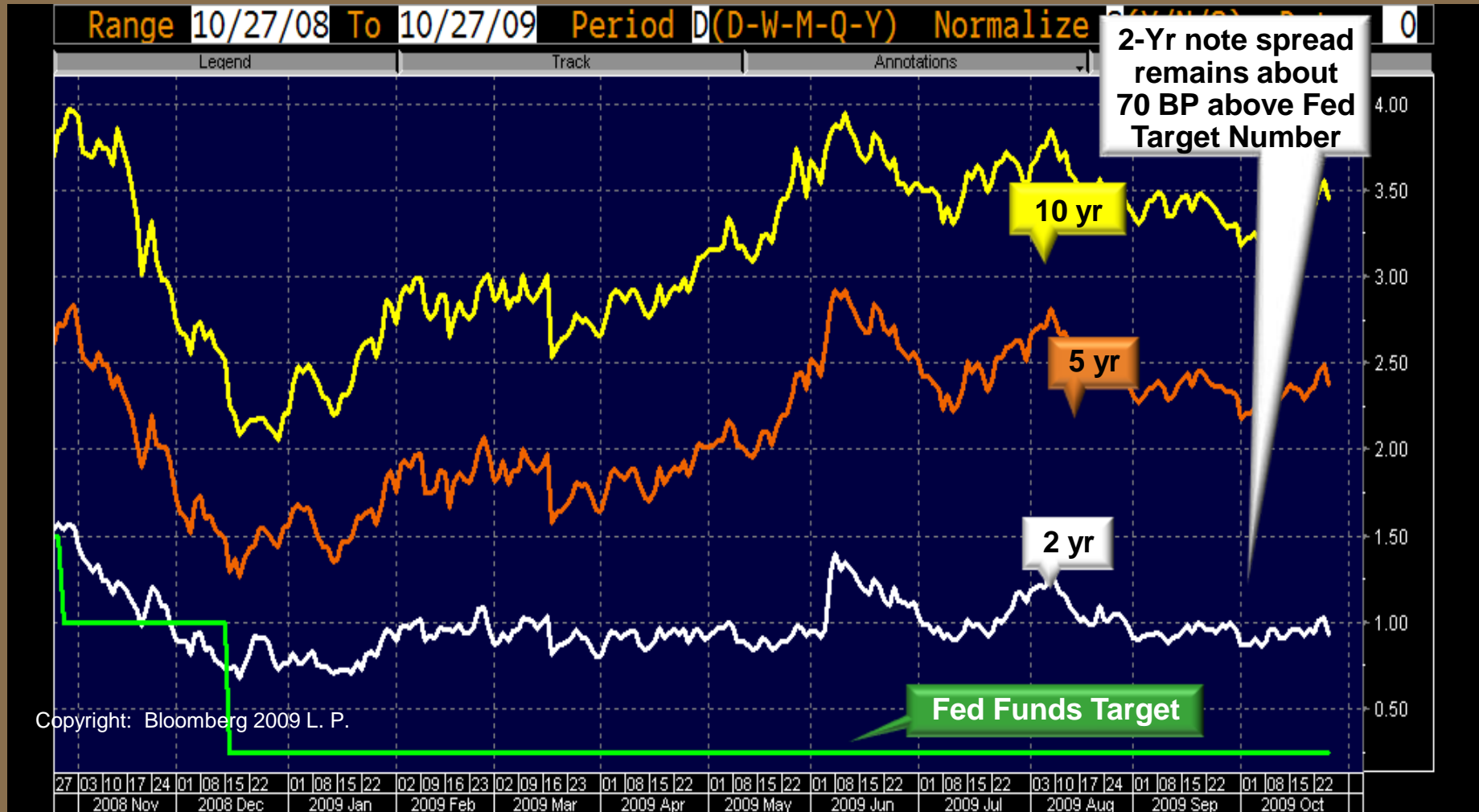
Short Term Interest Rate Forecast: Starting to rise in early 2010

Composite Survey of 80+ Economists



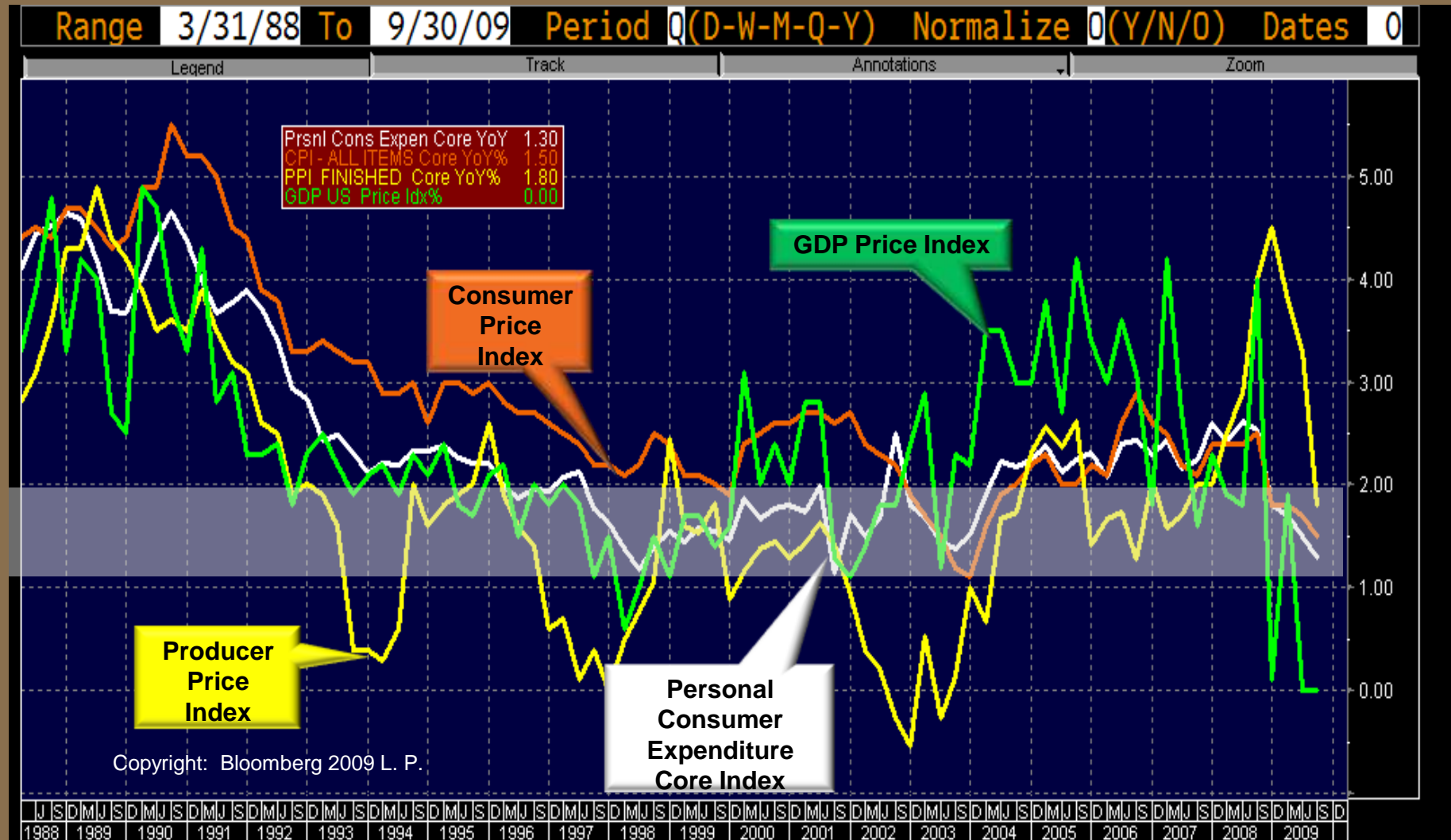
Market Reaction to Rate Cuts

US Treasury Yields vs. Fed Funds (last 360 days)

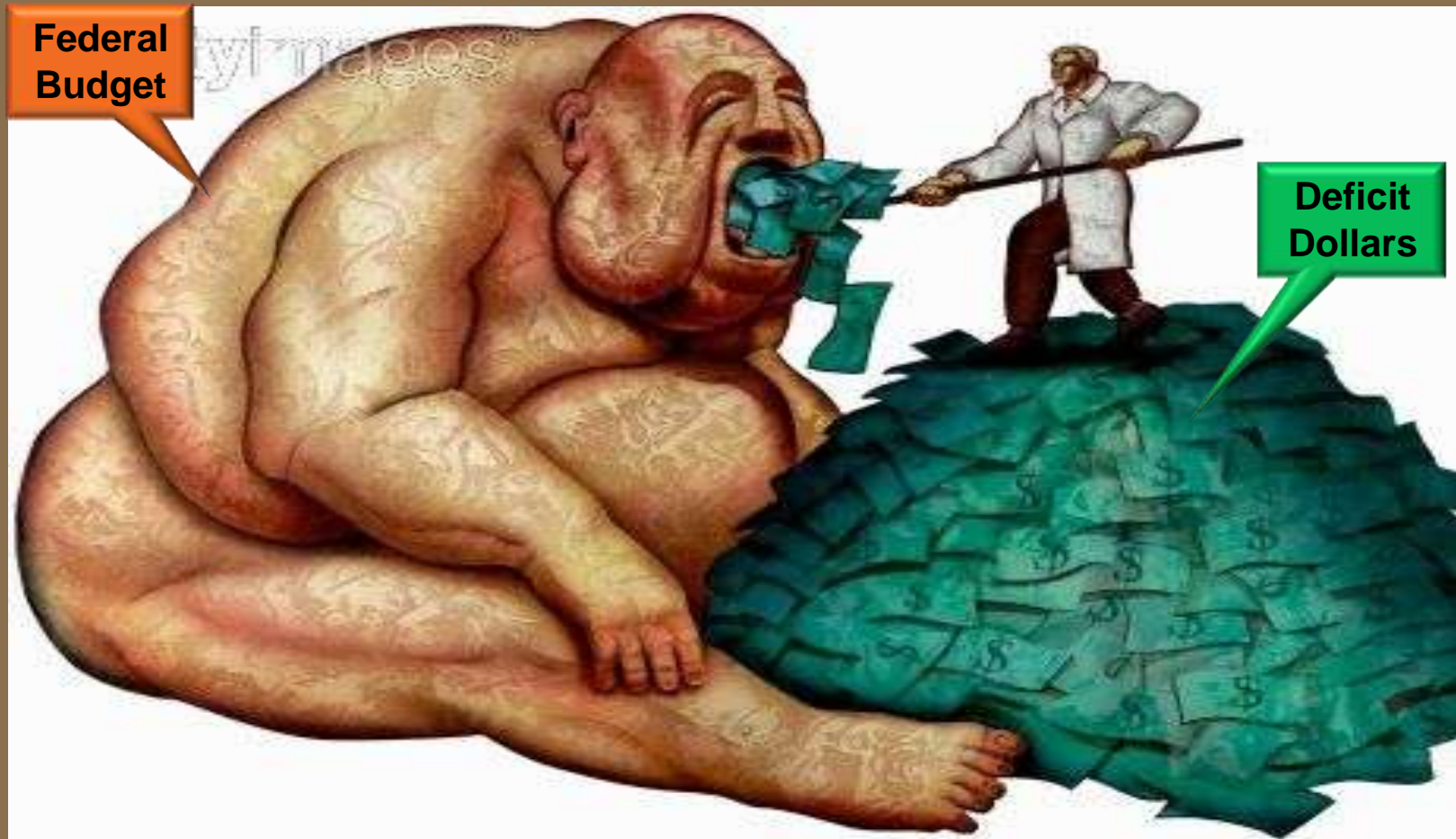


Inflation or Deflation?

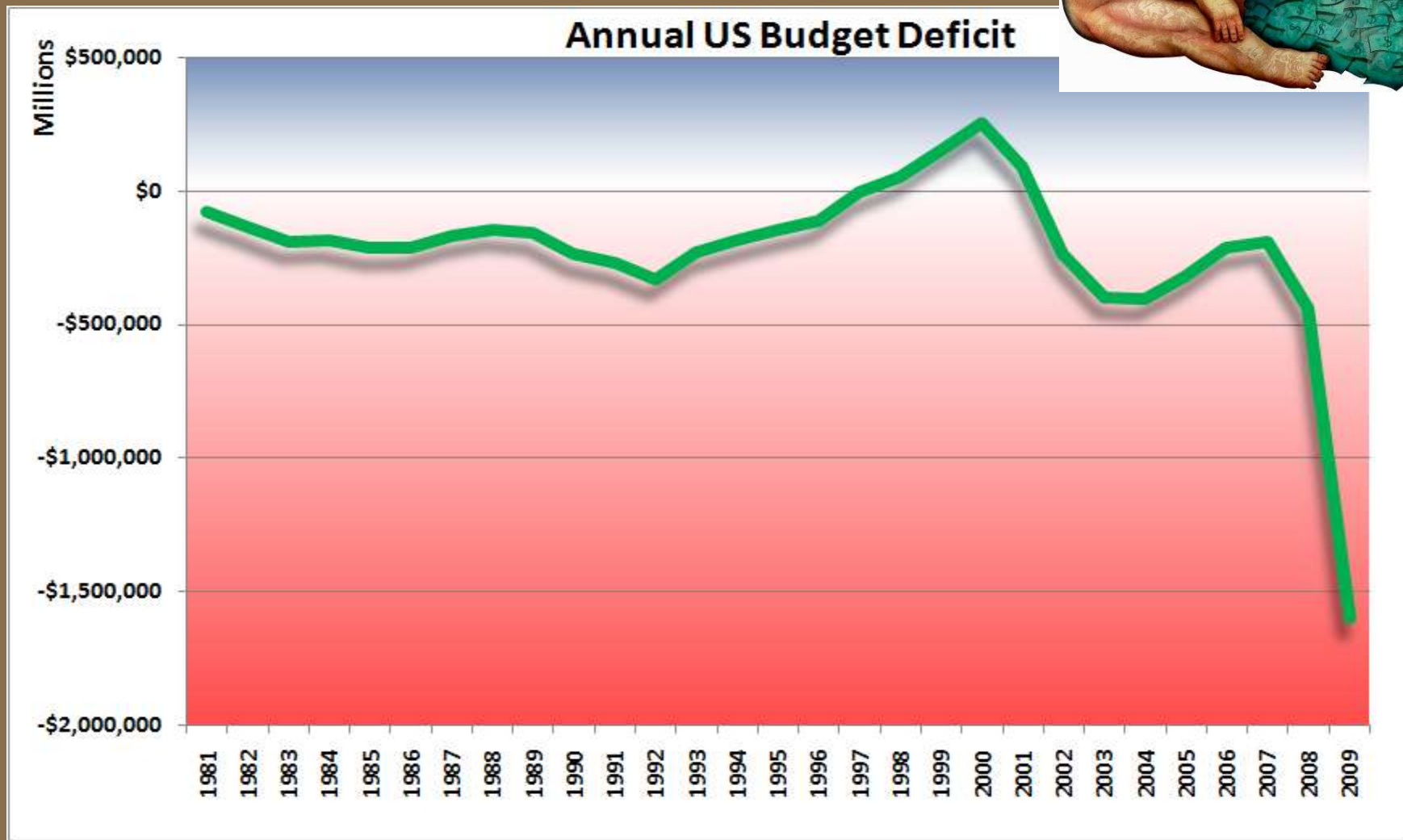
PCE, PPI, CPI CORE, and GDP RATES Quarterly since 1988



Government Spending impact on Inflation



Annual US Budget Surplus / Deficit



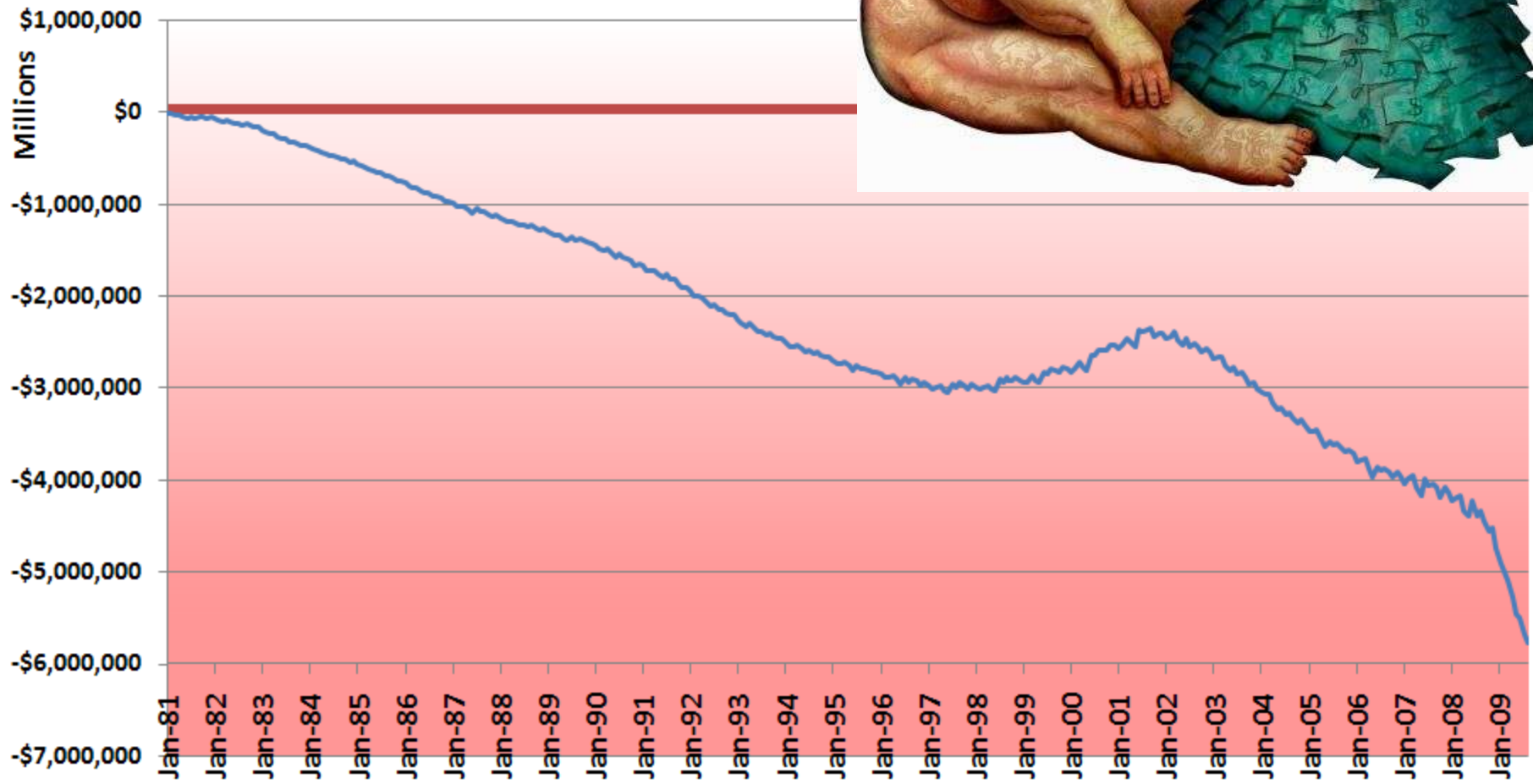
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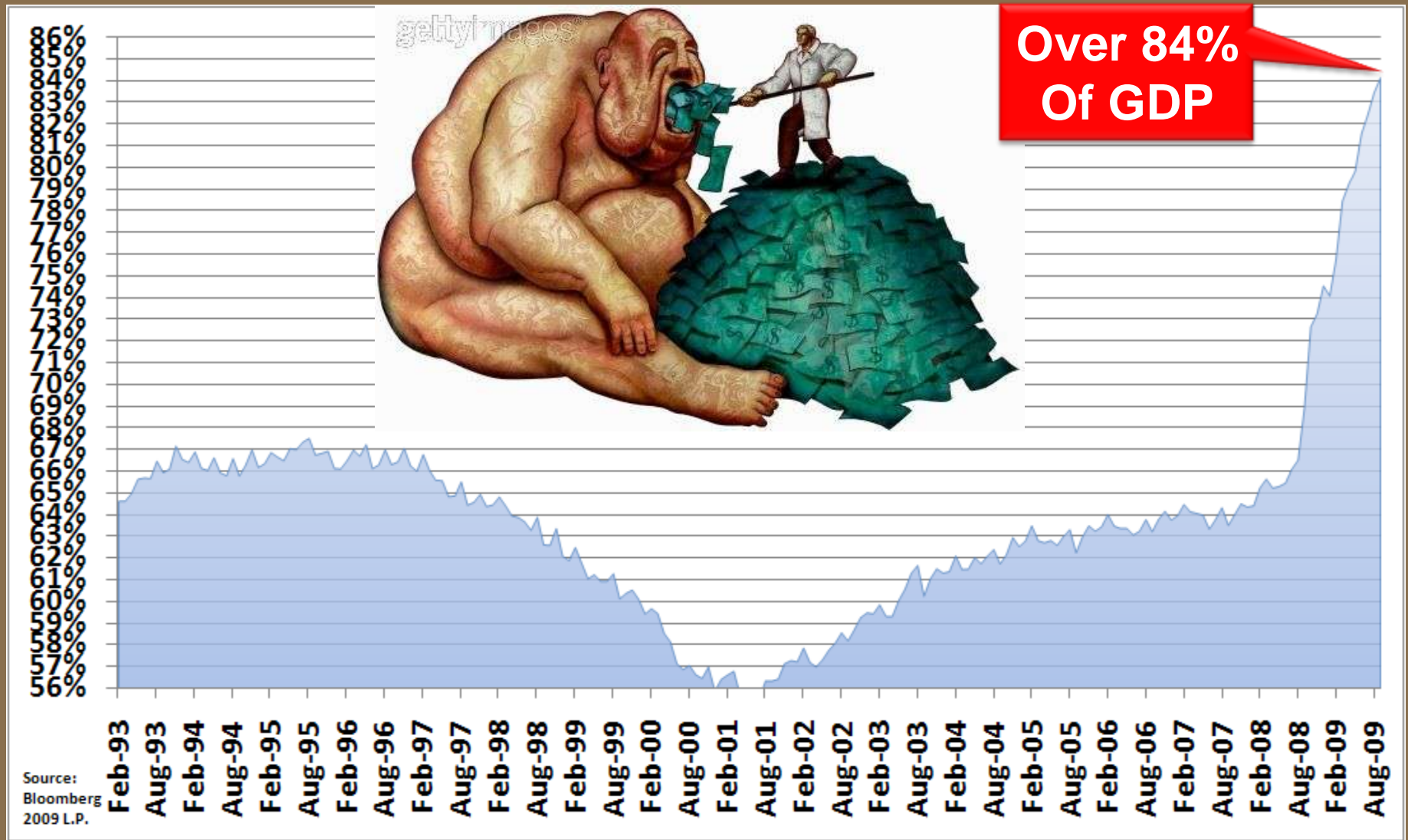
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Cumulative Total US Debt since 1981



Federal Debt as % of GDP is Soaring

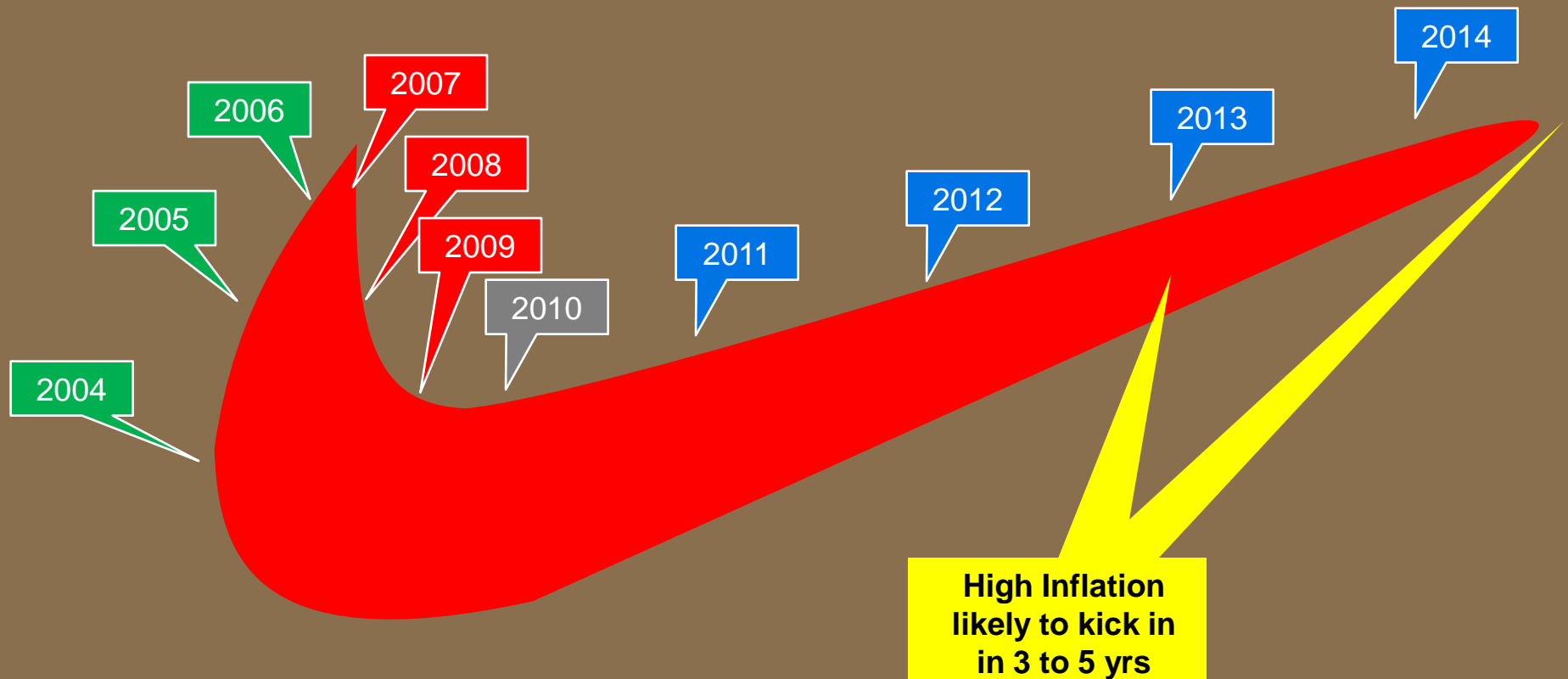


Chasing Lenders

(China is #1 lender to U.S.)



“Nike” Whoosh Forecast



Swine Flu going to prolong the US recession?



State Budget Update



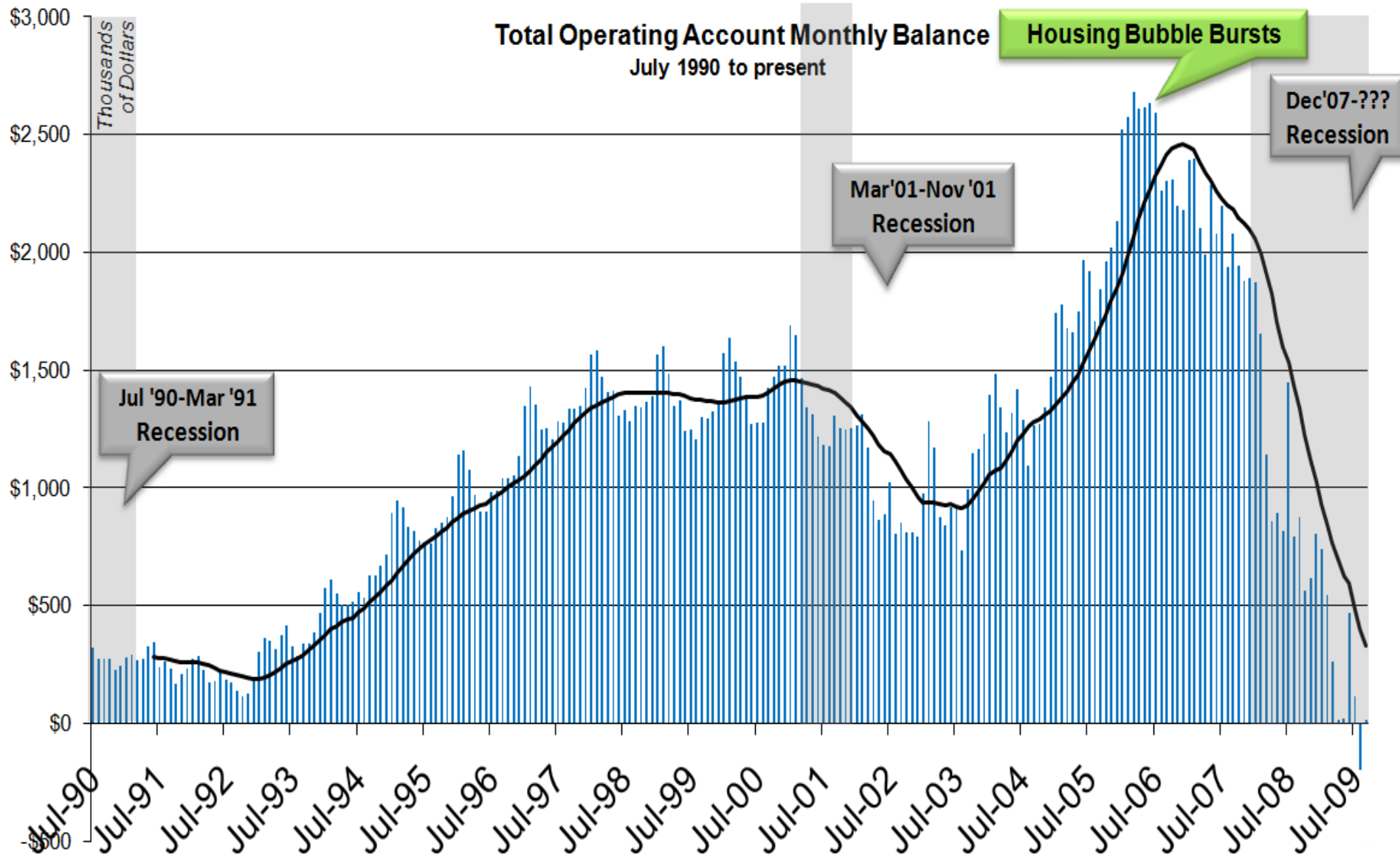
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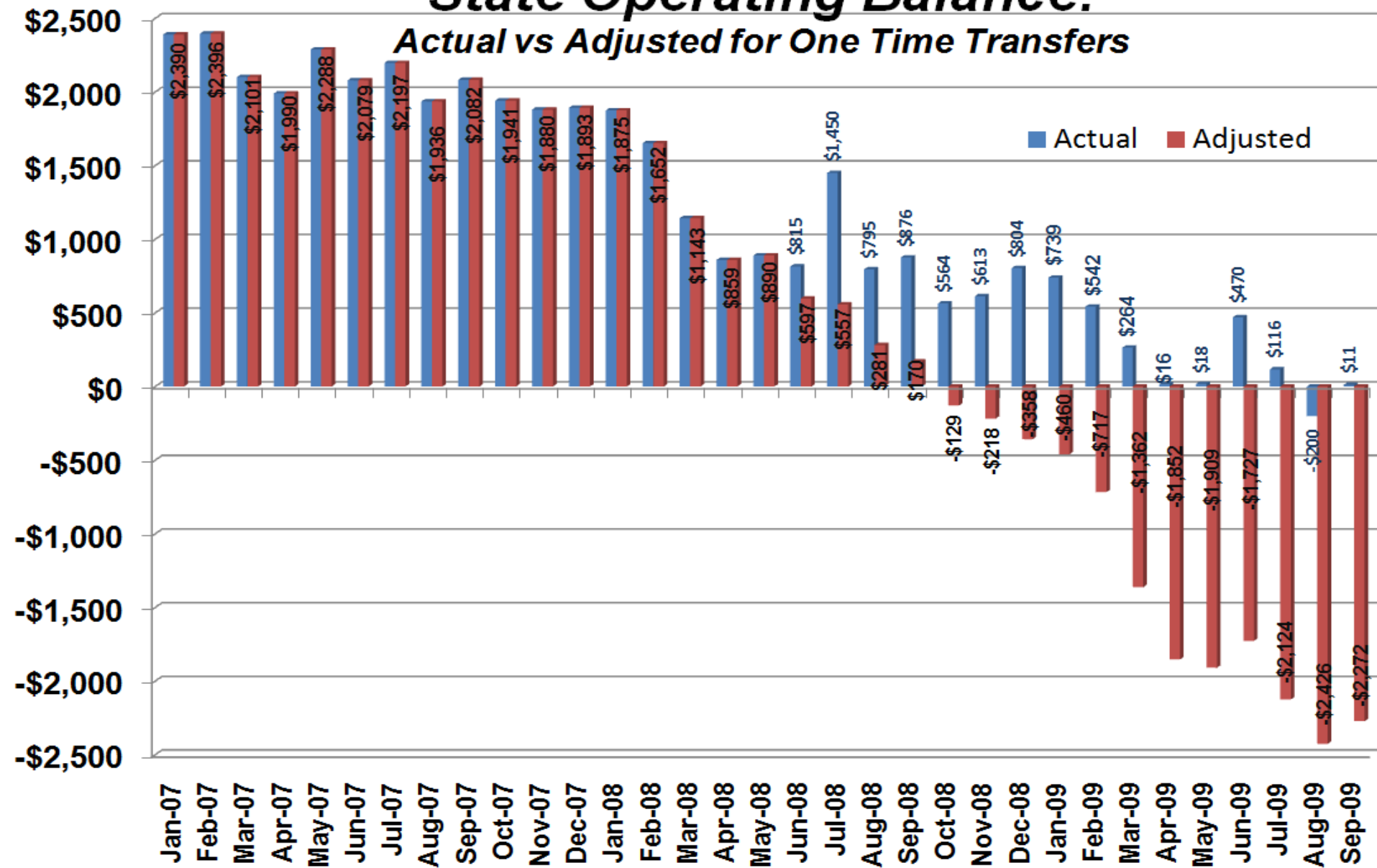


State Total Operating Account Average Monthly Balance



State Operating Balance:

Actual vs Adjusted for One Time Transfers



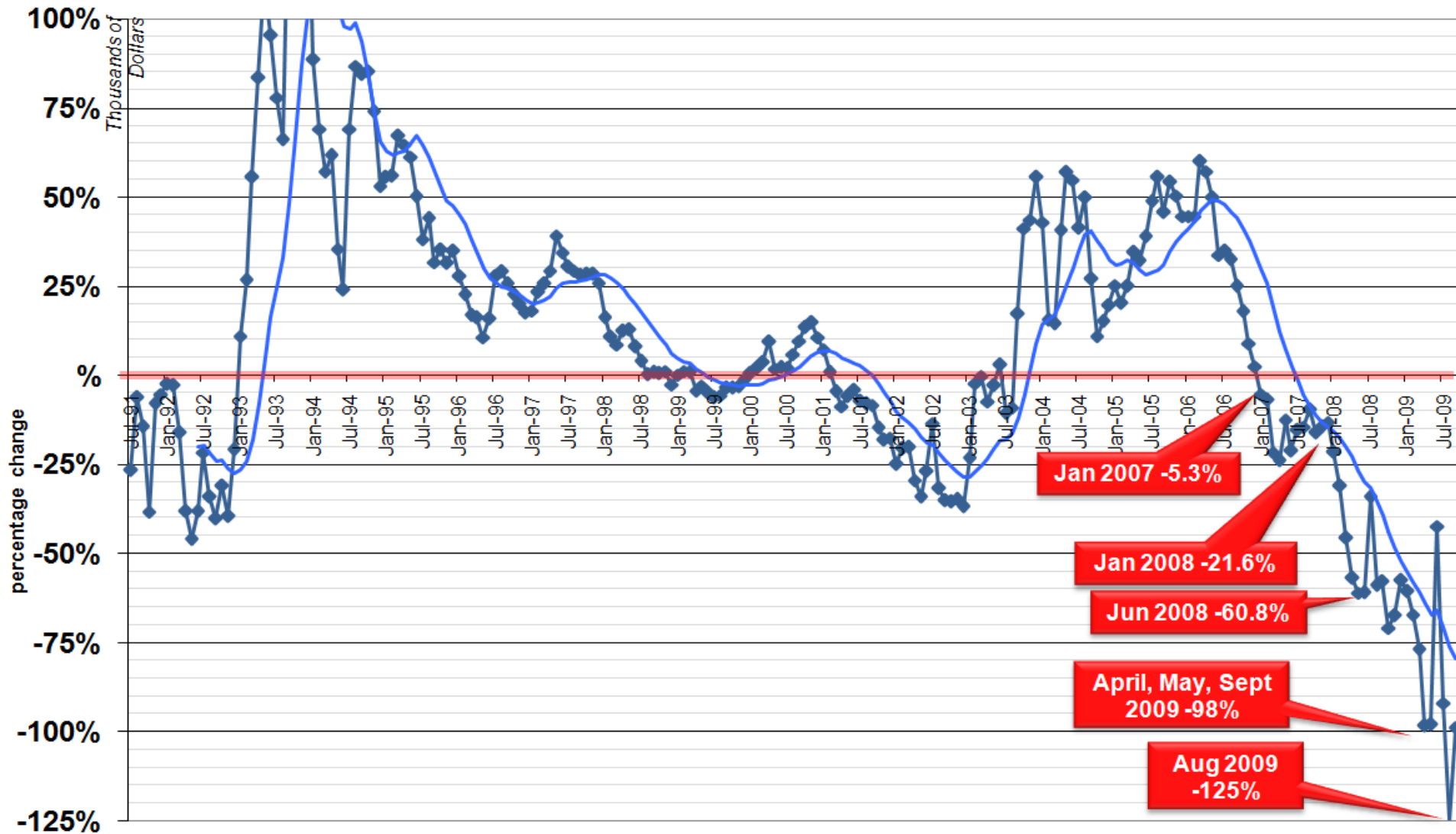
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State of Arizona Operating Cash Balance On A Downward Trend

Percent Change in Operating Account Balance



How did we keep the lights on?

Where did the money come From?



Where did the money come From?



- State Agencies Diversified Pool 3.
- Has about \$1.2 billion in assets.
- Consists of non-general fund state agency funds allowed to earn interest.
- Purchased Treasurer's Warrant Notes rather than Treasuries, Agencies, or Repo.

**We Will Not Tap Any LGIP Funds
For State Borrowing.**



LGIP Performance

4th Quarter and FY 2009 YTD



S & P Rating of Pool 5

AAAf / S1

We Continue
To Maintain
The Highest
Rating From
S & P



S1

S2

S3

S4

S5

S6

AAAf

AA+f

AAf

AA-f

A+f

Af

A-f

BBB+f

BBBf

BBB-f

BB+f

BBf

BB-f

B+f

Bf

B-f

CCC+f

CCCf



FY 10 Performance

Operating Revenue to the State of Arizona
State Agencies, Endowment and LGIP Clients

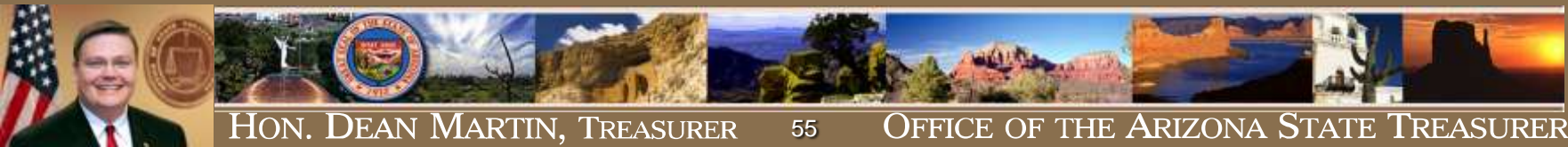
YTD FY 2010 Earnings Distributed:

\$26,539,605

(\$337,349 thousand for general fund)

(\$18.1 million for State Agencies)

(\$8.06 million for Local Govt.'s)

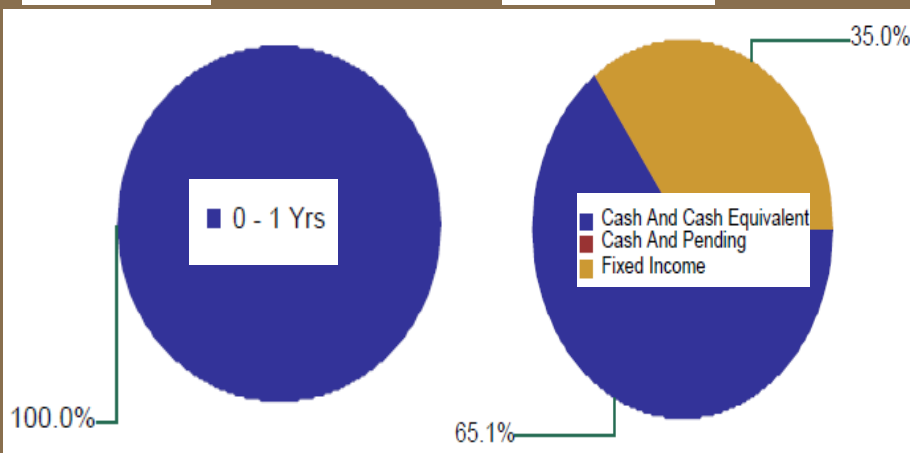


LGIP – Pool 5

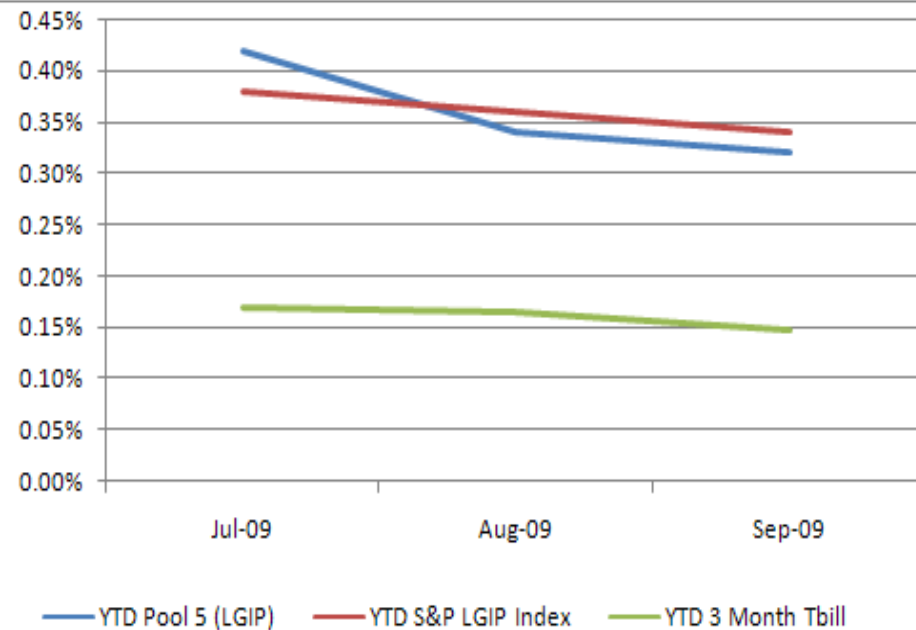
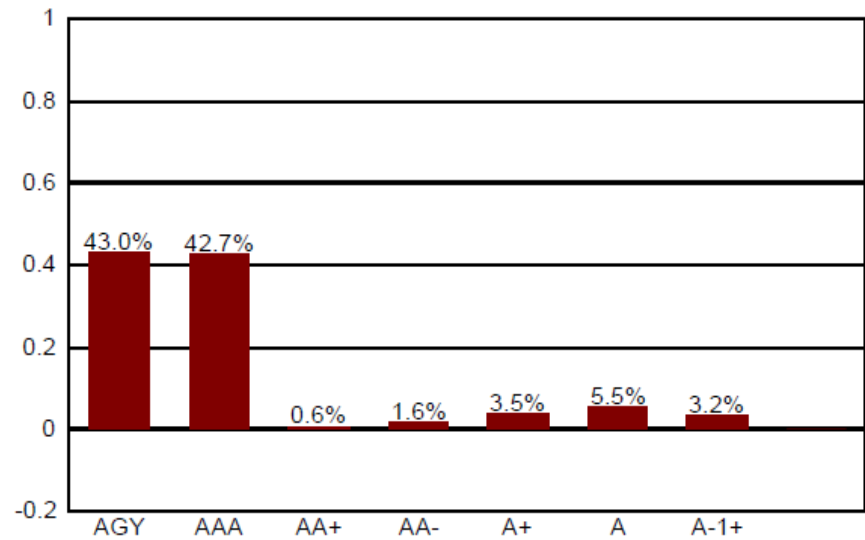
- \$1.576 Billion as of 9/30/09
- WAM – 40 days* (weighted average maturity)
- NAV - .998 (Net Asset Value)

Total Net Assets (Millions)	1,576.0
Weighted Average Life (Years)	0.25
Weighted Avg. Effective Duration (Years)	0.07
Weighted Average Rating	AAA
Number of Holdings	52

Duration:



Quality/Rating Weightings



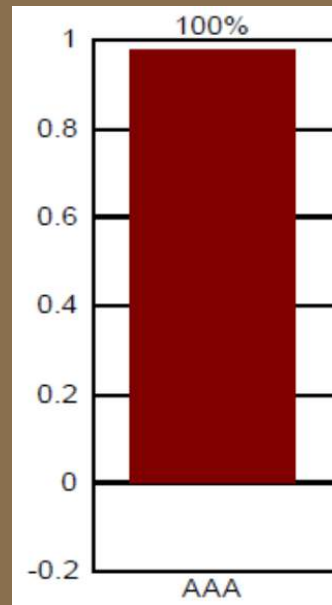
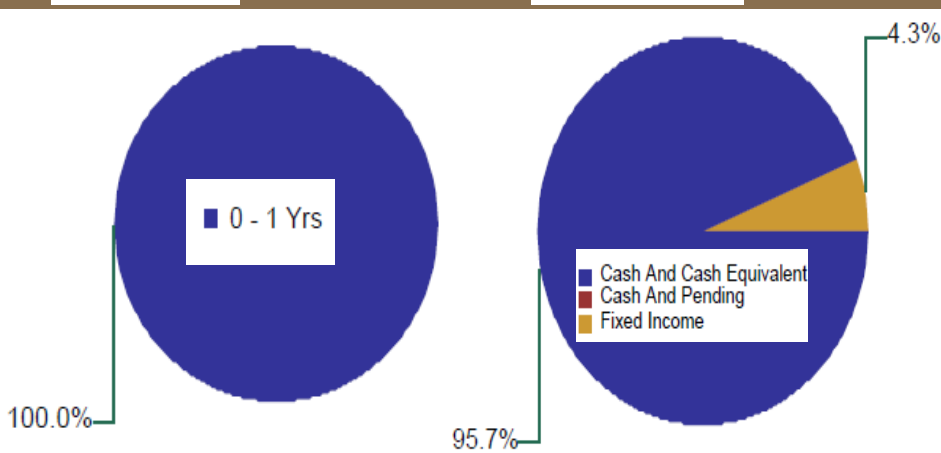
LGIP – Pool 7

- \$2.6 Billion as of 9/30/09
- WAM – 22 days* (weighted average maturity)
- NAV – \$1.00 (Net Asset Value)

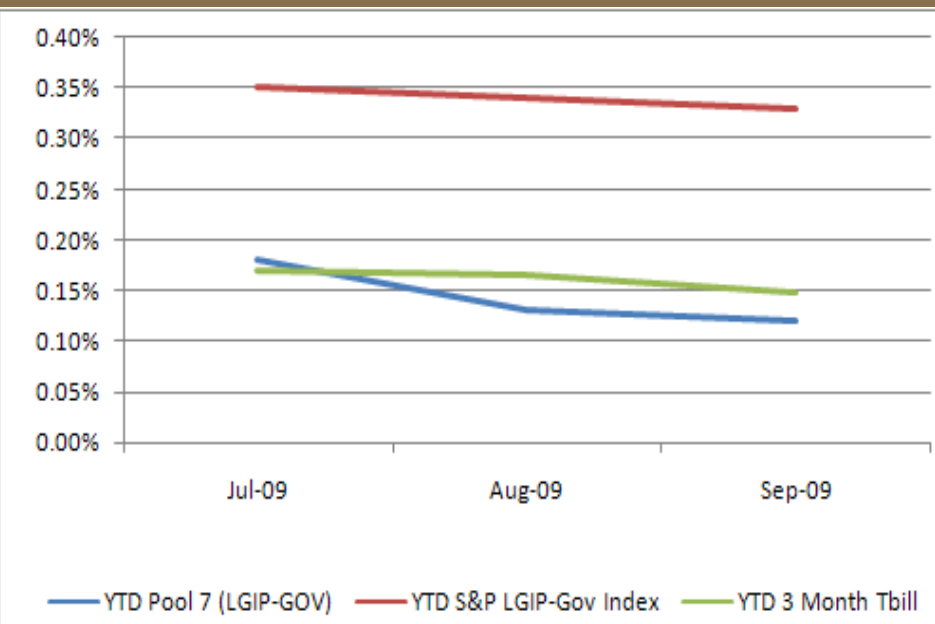
Total Net Assets (Millions)	2,601.0
Weighted Average Life (Years)	0.07
Weighted Avg. Effective Duration (Years)	0.05
Weighted Average Rating	AAA
Number of Holdings	28

Duration:

Asset Mix:



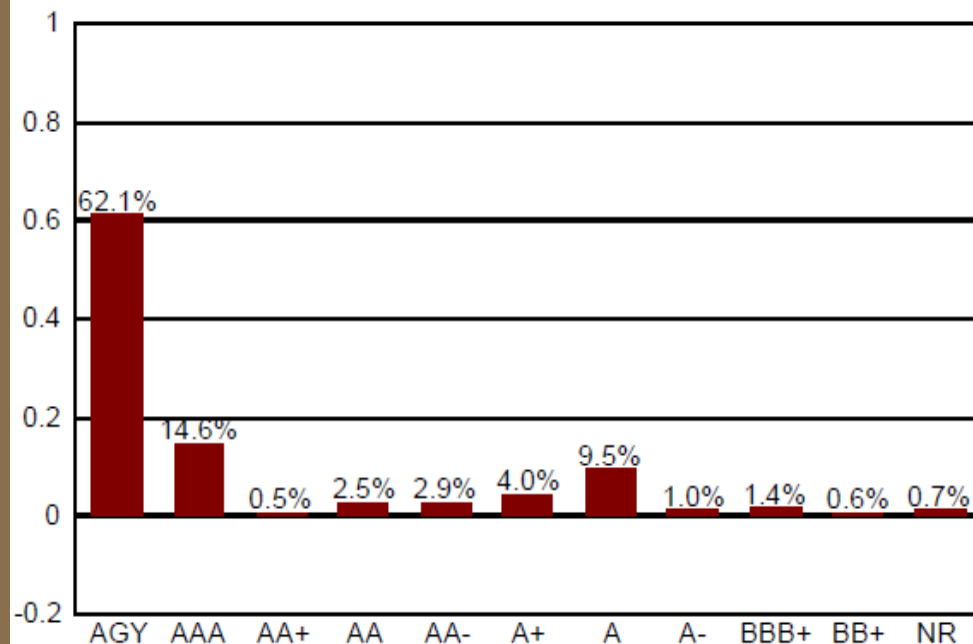
- Short Term Fixed Income
- Full Faith & Credit (Backed by US Treasuries Only)



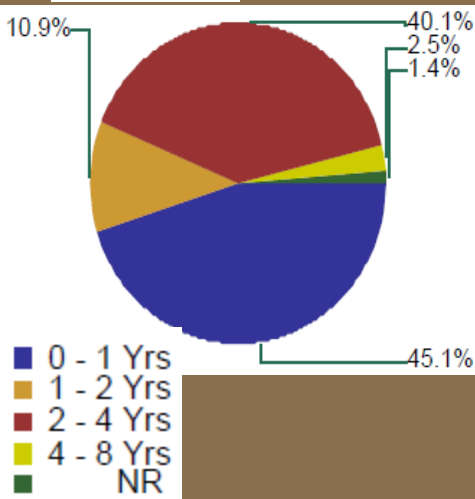
LGIP – Pool 500

- Long Term Fixed Income
- \$72.9 million as of 9/30/09
- Duration 1.52 years
- Floating Net Asset Value

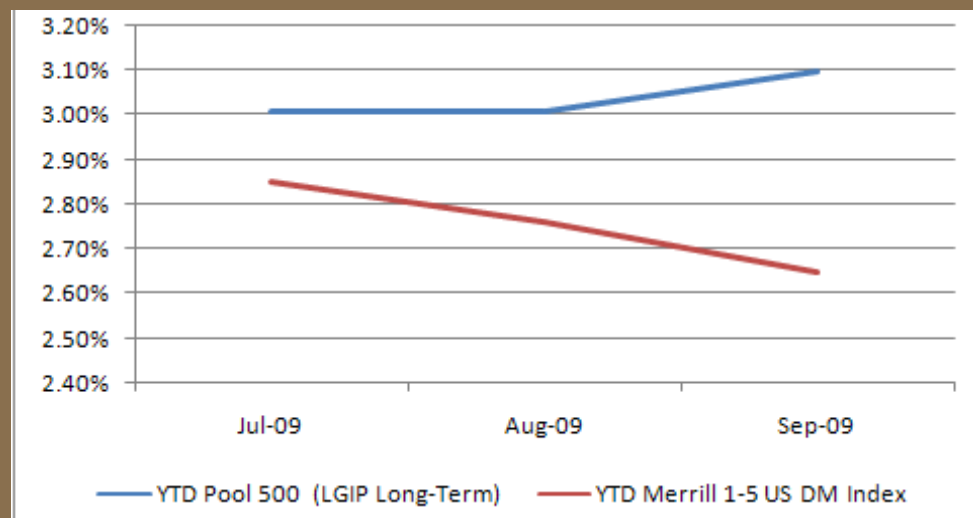
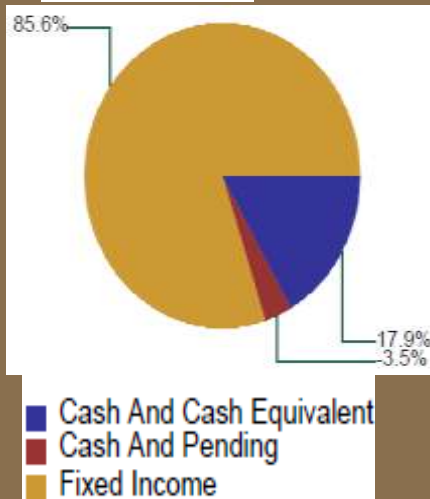
Total Net Assets (Millions)	72.9
Weighted Average Life (Years)	1.78
Weighted Avg. Effective Duration (Years)	1.52
Weighted Average Rating	AA+
Number of Holdings	119



Duration:

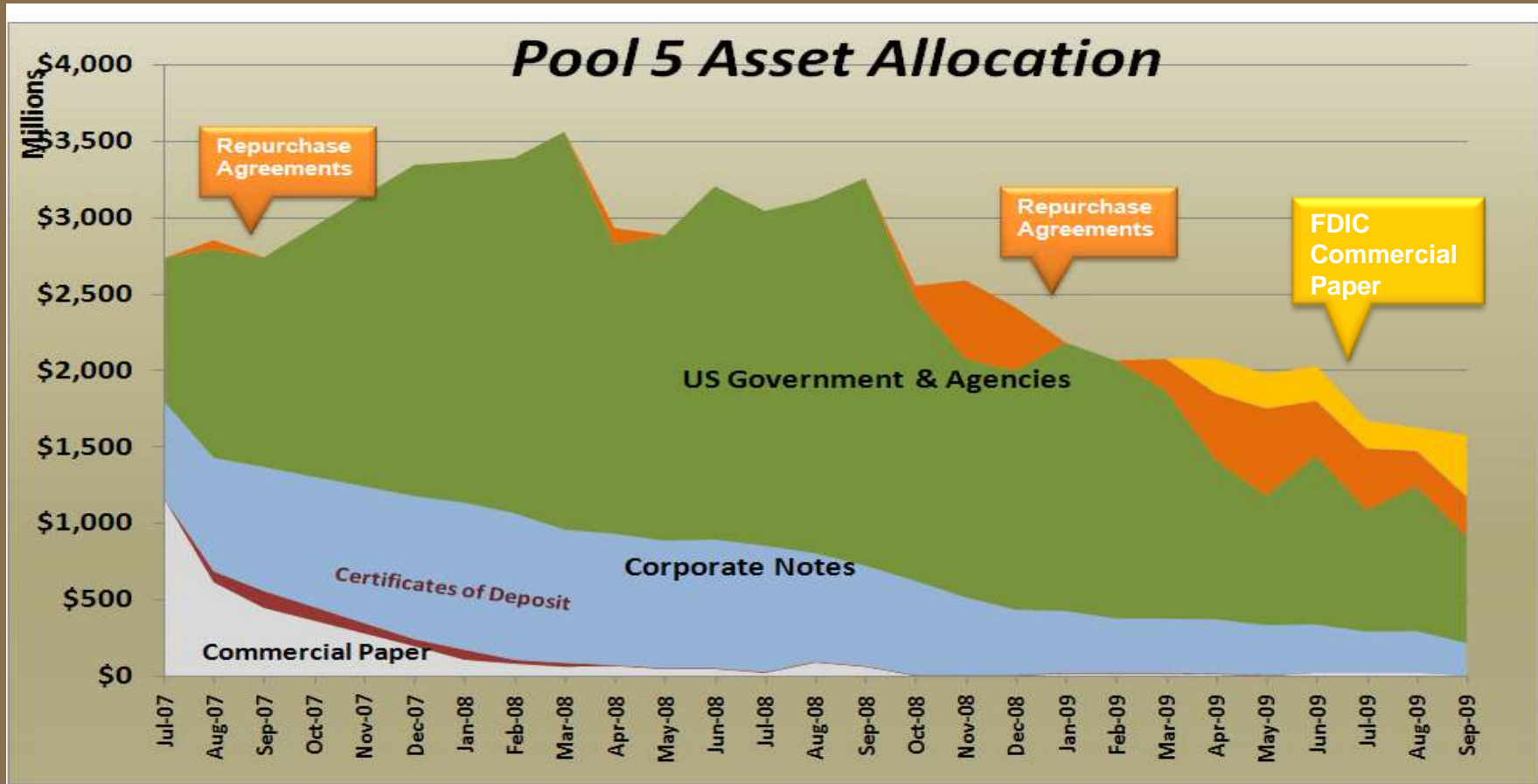


Asset Mix:



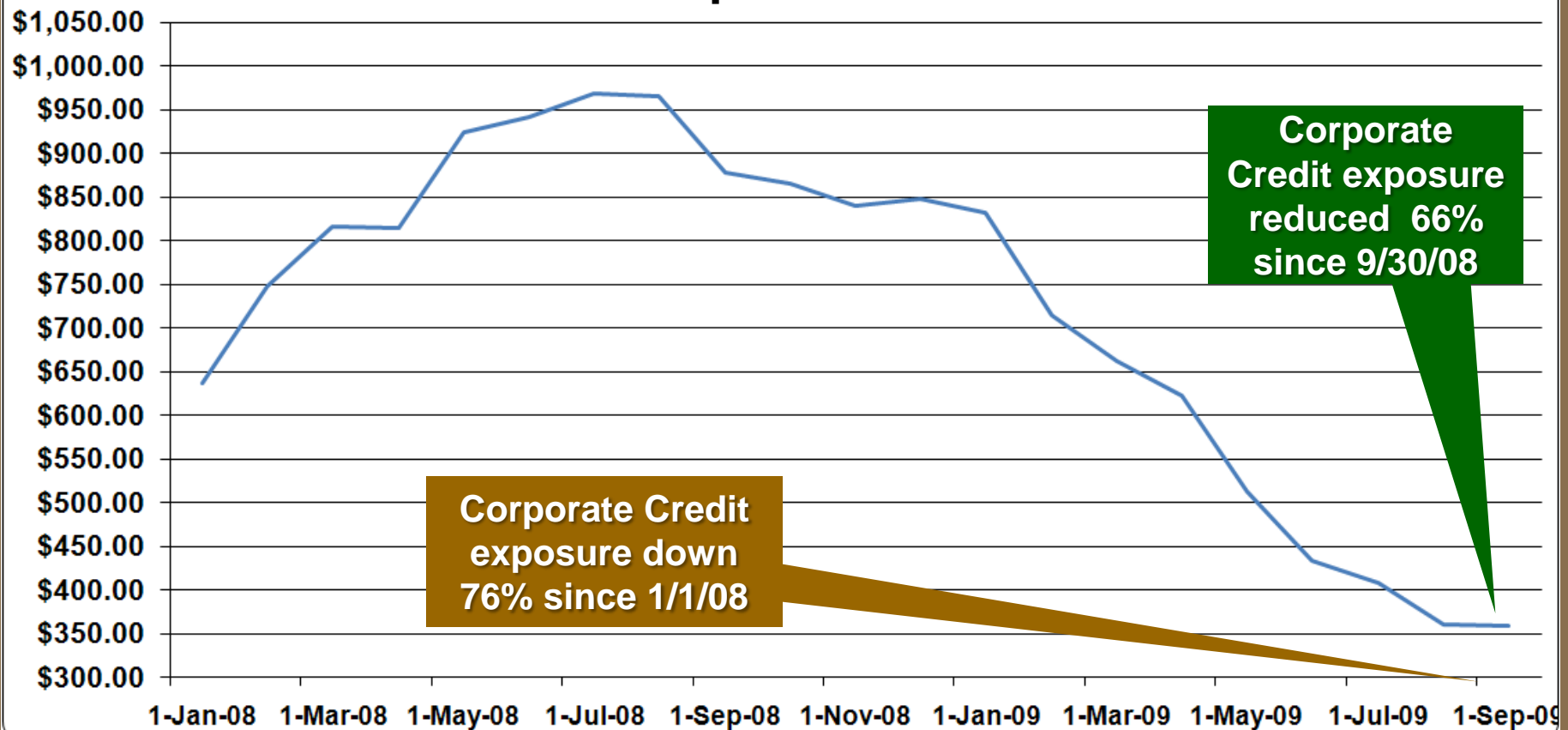
Responding to Credit Crunch:

Increased Allocation to UST and US Govt. Agency Discount Notes
Small allocation to CP in 3rd Quarter



Responding to Credit Crunch: Reduction in Corporate Exposure

Pool 5 Corporate Notes



Reduction in Commercial Paper and Asset Backed Commercial Paper (CP/ABCP) in Pool 5



Responding to Credit Crunch:

Only 15 Corporate Credits Remain in Pool

Holdings Remaining:

American Express	\$ 2.5 million
ATT	\$22.5 million
Caterpillar	\$ 5.0 million
GE Capital (2)	\$31.3 million
Merrill Lynch	\$14.7 million
Wells Fargo	\$10.0 million
JP Morgan	\$40.0 million
Goldman Sachs (2)	\$14.8 million
Walt Disney	\$15.0 million
Bank of America	\$10.0 million
Bank of New York	\$13.0 million
Phillips Petroleum	\$10.0 million
Coca-Cola CP	<u>\$20.0 million</u>
Total	\$208.9 million



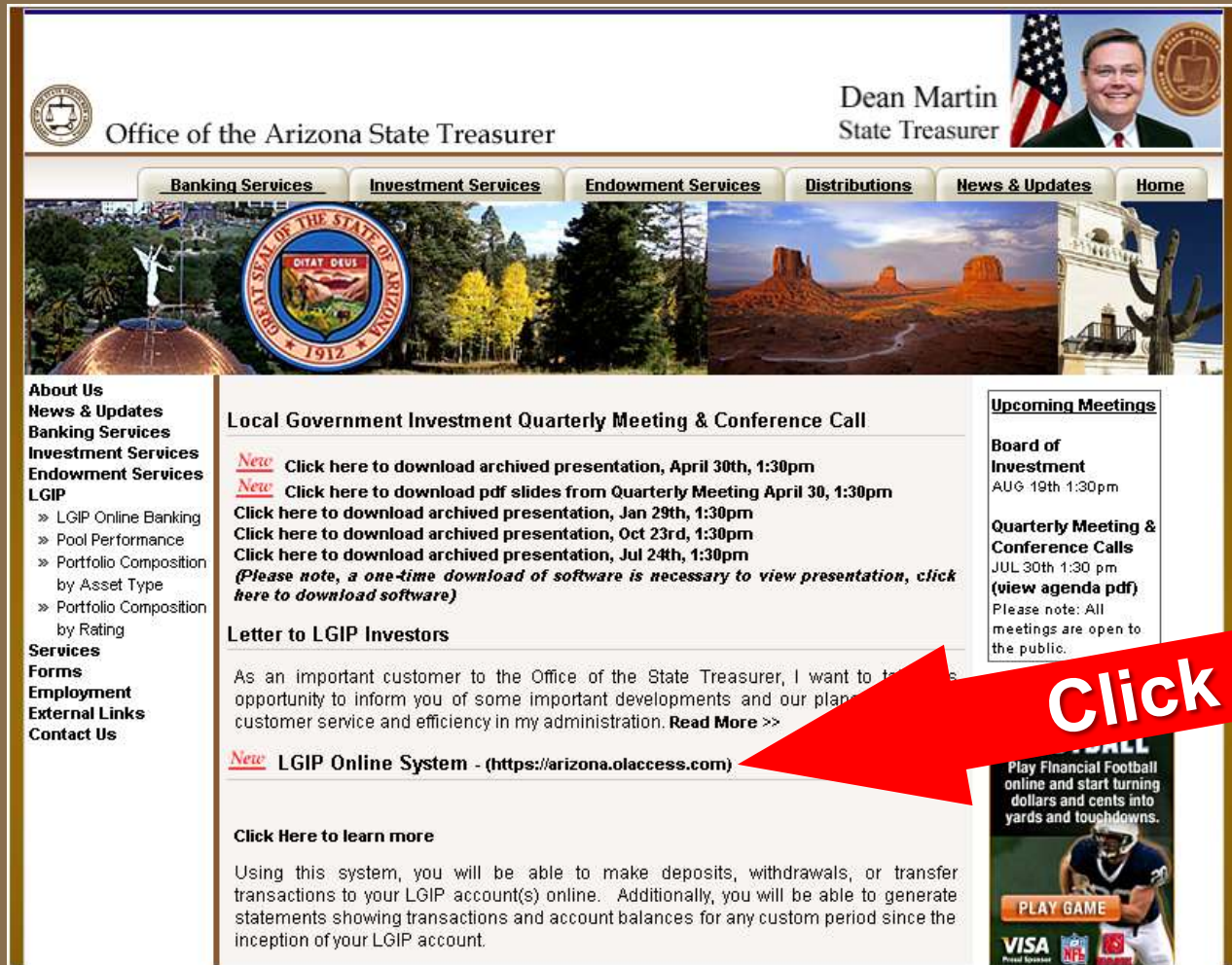
NEW LGIP Improvements

- **New Custodian Bank April 1st.**
- **Accounting transition took place July 1.**
- **Statements should be available faster**
(conversion issues delayed some statements, but those issues should now be resolved).
- **Better on-line access to accounts** (Online Yield coming soon!)
- **Securities Lending to cover cost of contract and possibly provide additional revenue to investment pools.**



NEW LGIP Online Account Access

<http://www.AzTreasury.gov/lgip.html>



The screenshot shows the official website of the Office of the Arizona State Treasurer. At the top, there is a header with the state seal on the left, the text "Office of the Arizona State Treasurer" in the center, and a portrait of Dean Martin on the right. Below the header is a navigation bar with links: Banking Services, Investment Services, Endowment Services, Distributions, News & Updates, and Home. The main content area features a large banner with the state seal and a scenic landscape. To the left of the banner is a sidebar menu with links: About Us, News & Updates, Banking Services, Investment Services, Endowment Services, LGIP, and a section for Services, Forms, Employment, External Links, and Contact Us. The main content area has a section titled "Local Government Investment Quarterly Meeting & Conference Call" with several links for downloading archived presentations. Below this is a section titled "Letter to LGIP Investors" with a paragraph of text and a "Read More" link. At the bottom of the main content area is a section titled "Click Here to learn more" with a paragraph of text. To the right of the main content area is a section titled "Upcoming Meetings" with information about the Board of Investment and the Quarterly Meeting & Conference Calls. A large red arrow points from the "Click Here" text in the red banner to the "Click Here to learn more" link in the main content area.

Office of the Arizona State Treasurer

Dean Martin
State Treasurer

Banking Services Investment Services Endowment Services Distributions News & Updates Home

About Us
News & Updates
Banking Services
Investment Services
Endowment Services
LGIP
» LGIP Online Banking
» Pool Performance
» Portfolio Composition by Asset Type
» Portfolio Composition by Rating
Services
Forms
Employment
External Links
Contact Us

Local Government Investment Quarterly Meeting & Conference Call

New Click here to download archived presentation, April 30th, 1:30pm
New Click here to download pdf slides from Quarterly Meeting April 30, 1:30pm
Click here to download archived presentation, Jan 29th, 1:30pm
Click here to download archived presentation, Oct 23rd, 1:30pm
Click here to download archived presentation, Jul 24th, 1:30pm
(Please note, a one-time download of software is necessary to view presentation, click here to download software)

Letter to LGIP Investors

As an important customer to the Office of the State Treasurer, I want to take this opportunity to inform you of some important developments and our plans for improving customer service and efficiency in my administration. [Read More >>](#)

New LGIP Online System - (<https://arizona.olaccess.com>)

[Click Here to learn more](#)

Using this system, you will be able to make deposits, withdrawals, or transfer transactions to your LGIP account(s) online. Additionally, you will be able to generate statements showing transactions and account balances for any custom period since the inception of your LGIP account.

Upcoming Meetings

Board of Investment
AUG 19th 1:30pm

Quarterly Meeting & Conference Calls
JUL 30th 1:30 pm
(view agenda pdf)
Please note: All meetings are open to the public.

Click Here

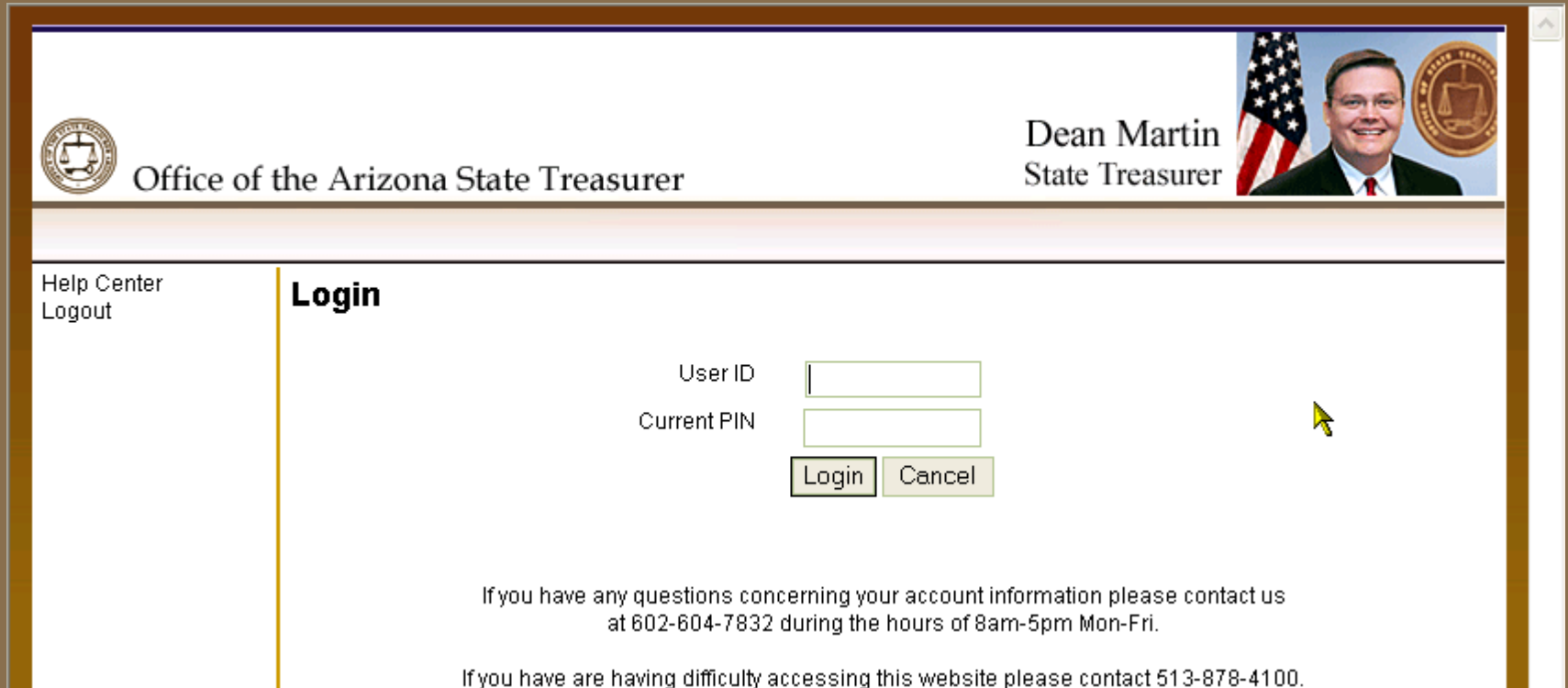


HON. DEAN MARTIN, TREASURER

OFFICE OF THE ARIZONA STATE TREASURER



Online Access Available Now for All LGIP Accounts



The screenshot shows the official website of the Office of the Arizona State Treasurer. At the top, there is a header with the state seal on the left, the text "Office of the Arizona State Treasurer" in the center, and a portrait of Dean Martin, State Treasurer, on the right next to an American flag and the state seal. Below the header, the page is divided into two main sections. On the left is a sidebar with links for "Help Center" and "Logout". The main content area is titled "Login" and contains a form with two input fields: "User ID" and "Current PIN". Below these fields are two buttons: "Login" and "Cancel". At the bottom of the login section, there is a paragraph of text: "If you have any questions concerning your account information please contact us at 602-604-7832 during the hours of 8am-5pm Mon-Fri." and another line: "If you have are having difficulty accessing this website please contact 513-878-4100."

Office of the Arizona State Treasurer

Dean Martin
State Treasurer

Help Center
Logout

Login

User ID

Current PIN

Login Cancel

If you have any questions concerning your account information please contact us
at 602-604-7832 during the hours of 8am-5pm Mon-Fri.

If you have are having difficulty accessing this website please contact 513-878-4100.

- All IPAS users already sent User ID & PINs
- Non-IPAS users will receive User ID & PINs from JP Morgan Chase in about a week

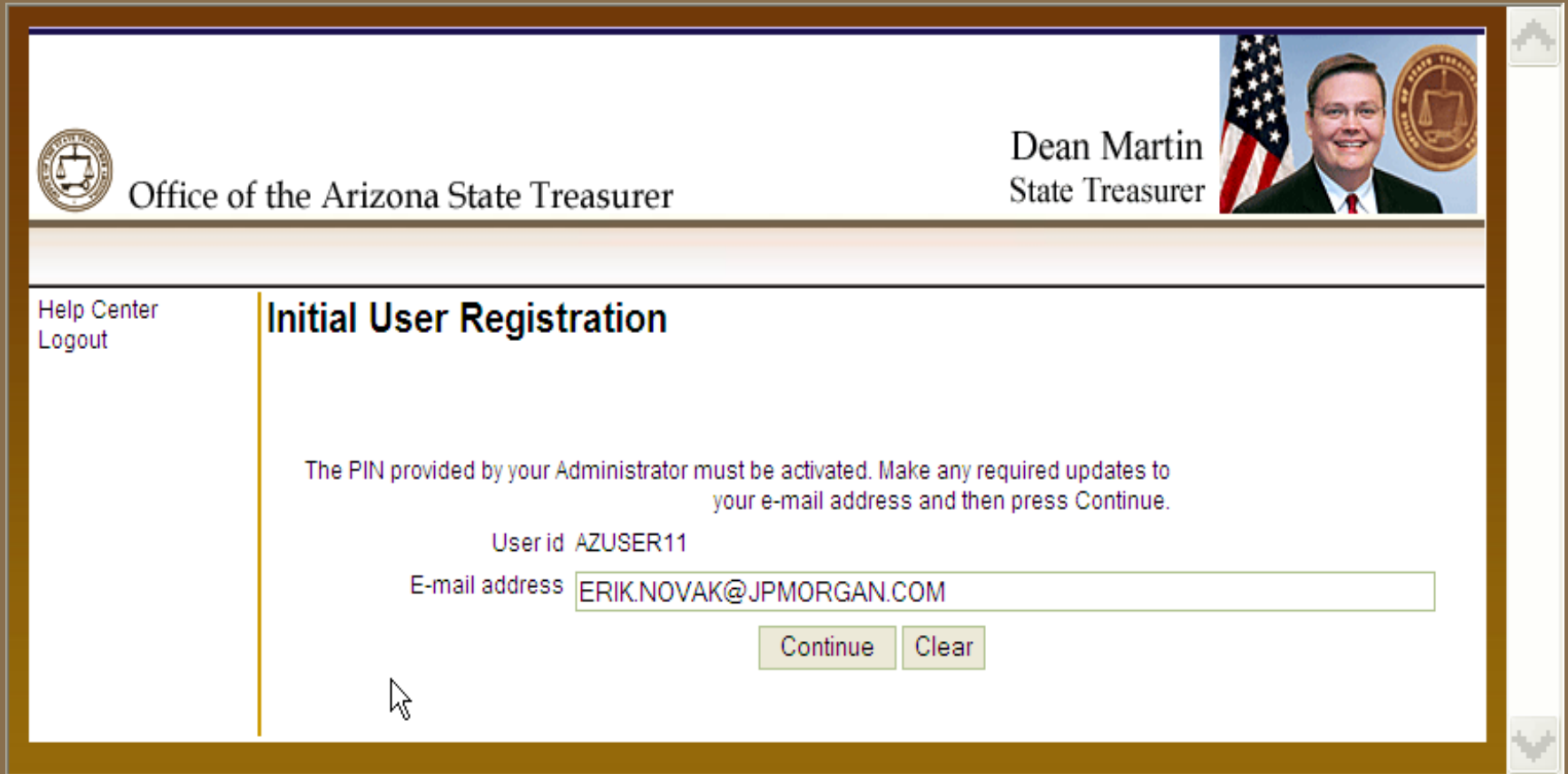


HON. DEAN MARTIN, TREASURER

OFFICE OF THE ARIZONA STATE TREASURER



When you logon to the site for the first time, you will be asked to verify your Email address to proceed.



The screenshot shows the 'Initial User Registration' page. At the top, there is a header with the Office of the Arizona State Treasurer logo on the left, the text 'Office of the Arizona State Treasurer' in the center, and a portrait of Dean Martin with the text 'Dean Martin State Treasurer' on the right. Below the header, on the left, are links for 'Help Center' and 'Logout'. The main content area is titled 'Initial User Registration'. It contains a message: 'The PIN provided by your Administrator must be activated. Make any required updates to your e-mail address and then press Continue.' Below this message, it shows 'User id AZUSER11' and 'E-mail address' followed by a text input field containing 'ERIK.NOVAK@JPMORGAN.COM'. At the bottom of the form are two buttons: 'Continue' and 'Clear'. A mouse cursor is visible near the bottom left of the form area.

Office of the Arizona State Treasurer

Dean Martin
State Treasurer

Help Center
Logout

Initial User Registration

The PIN provided by your Administrator must be activated. Make any required updates to your e-mail address and then press Continue.

User id AZUSER11

E-mail address



HON. DEAN MARTIN, TREASURER

OFFICE OF THE ARIZONA STATE TREASURER



Provides List of all Accounts



Office of the Arizona State Treasurer

Dean Martin
State Treasurer



Account Listing

[Account Listing](#)
[Account Detail](#)
[Purchase](#)
[Redemption](#)
[Exchange](#)
[Transfer](#)
[Account History](#)
[Pending Transactions](#)
[Reports](#)
[E-mail Change](#)
[Help Center](#)
[Logout](#)

Account Listing

Registration

CITY OF BOSTON
SCHOOL DEPT

Fund	Number	Shares	Price	Balance
SMALL CAP FUND (MMMG)	1141	210.526	\$12.49	\$2,629.47
CORE BOND FUND (GWKE)	998	0.000	\$9.37	\$0.00
CORE BOND FUND (GWKE)	1141	0.000	\$9.37	\$0.00
MONEY MARKET FUND (TSGXX)	998	9,144.230	\$1.00	\$9,144.23
MONEY MARKET FUND (TSGXX)	1141	15,005.000	\$1.00	\$15,005.00
Portfolio Totals				\$26,778.70

Click on the fund name to view account information.



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Deposits Can Be Made Online



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Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Purchase - Step 1 of 3

Account Registration

CITY OF BOSTON
SCHOOL DEPT

Account Number/Fund

998/MONEY MARKET FUND ▼

Purchase Amount

Purchase Method

FED WIRE ▼

Dollar Amount

Contact Info

E-Mail Address

ERIK.NOVAK@JPMORGAN.COM

Next Step

Cancel

The Arizona State Treasurer Investment Services Group is available 8am – 5pm, Monday through Friday. The telephone number is 602-604-7832.



HON. DEAN MARTIN, TREASURER

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Online Withdrawals



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Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Redemption - Step 1 of 3

Account Registration

CITY OF BOSTON
SCHOOL DEPT

Account Number/Fund

1141/SMALL CAP FUND

Redemption Amount

☐ Dollar Amount ☐ All Holdings

Amount

Payment Method

Wire Payment

Contact Info

E-Mail Address

ERIK.NOVAK@JPMORGAN.COM

Next Step

Cancel

The Arizona State Treasurer Investment Services Group is available 8am – 5pm, Monday through Friday. The telephone number is 602-604-7832.



HON. DEAN MARTIN, TREASURER

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Transfers Between Accounts



Office of the Arizona State Treasurer

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State Treasurer



Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Transfer - Step 1 of 3

Account Registration

CITY OF BOSTON
SCHOOL DEPT

From Account Number/Fund

1141/CORE BOND FUND

To Account Number/Fund

Transfer Amount

☐ Dollar Amount ☐ All Holdings

Amount

Contact Info

E-Mail Address

ERIK.NOVAK@JPMORGAN.COM

Next Step

Cancel

The Arizona State Treasurer Investment Services Group is available 8am – 5pm, Monday through Friday. The telephone number is 602-604-7832.



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View Pending Transactions



Office of the Arizona State Treasurer

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[Account Listing](#)
[Account Detail](#)
[Purchase](#)
[Redemption](#)
[Exchange](#)
[Transfer](#)
[Account History](#)
Pending Transactions
[Reports](#)
[E-mail Change](#)
[Help Center](#)
[Logout](#)

Pending Transactions

Account Number/Fund

Established date	Effective date	Description	Dollars	Shares
There is no pending activity for the selected Fund and Account.				

•This page displays any trades that have been placed but have not posted. Example: Future dated trades.



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Obtain Account History



Office of the Arizona State Treasurer

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Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Statement of Account

Account Number/Fund

Start Date / /
(MM/DD/YYYY)

End Date / /
(MM/DD/YYYY)

Transaction Type

[Download Transactions](#)

Trade Date	Description	Amount	Share Price	Shares	Share Balance
06/08/2009	TRANSFER OUT				
		-\$1,000.00	1.00	-1,000.000	9,144.230
	To Account 1141				
	Confirmation # 2009060811583918300				
06/08/2009	PURCHASE WIRE				
		\$1,000.00	1.00	1,000.000	10,144.230
	Confirmation # 2009060811552162700				

SUMMARY

Beginning Balance: \$10,144.23

Total Deposit: \$1,000.00

Total Withdrawals: -\$1,000.00









Total Interest: \$0.00

Current Balance: \$9,144.23

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Search for Specific Time in Account History

Print...    Page of 1     75%  Help Close

Arizona State Treasury Account History Page 1 of 1

Statement of Account

Account History Detail
Registration: CITY OF BOSTON
PARKS DEPT
Account Number: 998
As of Date: 06/08/2009

Trade Date	Description	Amount	Share Price	Shares	Share Balance
06/08/2009	TRANSFER OUT	-1,000.00	1.00	-1,000.000	9,144.230
	To Account 1141				
	Confirmation # 2009060811583918300				
06/08/2009	PURCHASE WIRE	\$1,000.00		1,000.000	10,144.230
	Confirmation # 2009060811552162700				

SUMMARY
Beginning Balance: \$10,144.23
Total Deposit: \$1,000.00
Total Withdrawals: -\$1,000.00
Total Interest: \$0.00
Current Balance: \$9,144.23

The history page can be previewed or printed. You may preview the results first through File menu, or just press the print button on your browser.



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2010 Legislative Agenda



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2009 Legislative Agenda

- HB2271: Moves mid-term Pools 500 and 700 from Title 41 to Title 35 and allows State Funds to participate in mid-term pools. THIS MEANS YOU DO NOT NEED A NEW RESOLUTION TO START INVESTING IN POOL 500 or 700.
- HB2425: Lowers the maximum management fee from 12 to 6 basis points (currently 6 basis points). Allows operations of office to be paid for from management fees.
- HB2103: Allows office to hire legal counsel.

Thank You for your support!



2010 Legislative Agenda

- **Sunset Review of Board of Investment**
 - **Adding Confirmation Process**
- **Add BOI member for Endowments**
- **Codify practice of quarterly meetings**
- **Constitutional Changes for Endowment Distribution and Investments**



Endowment Performance

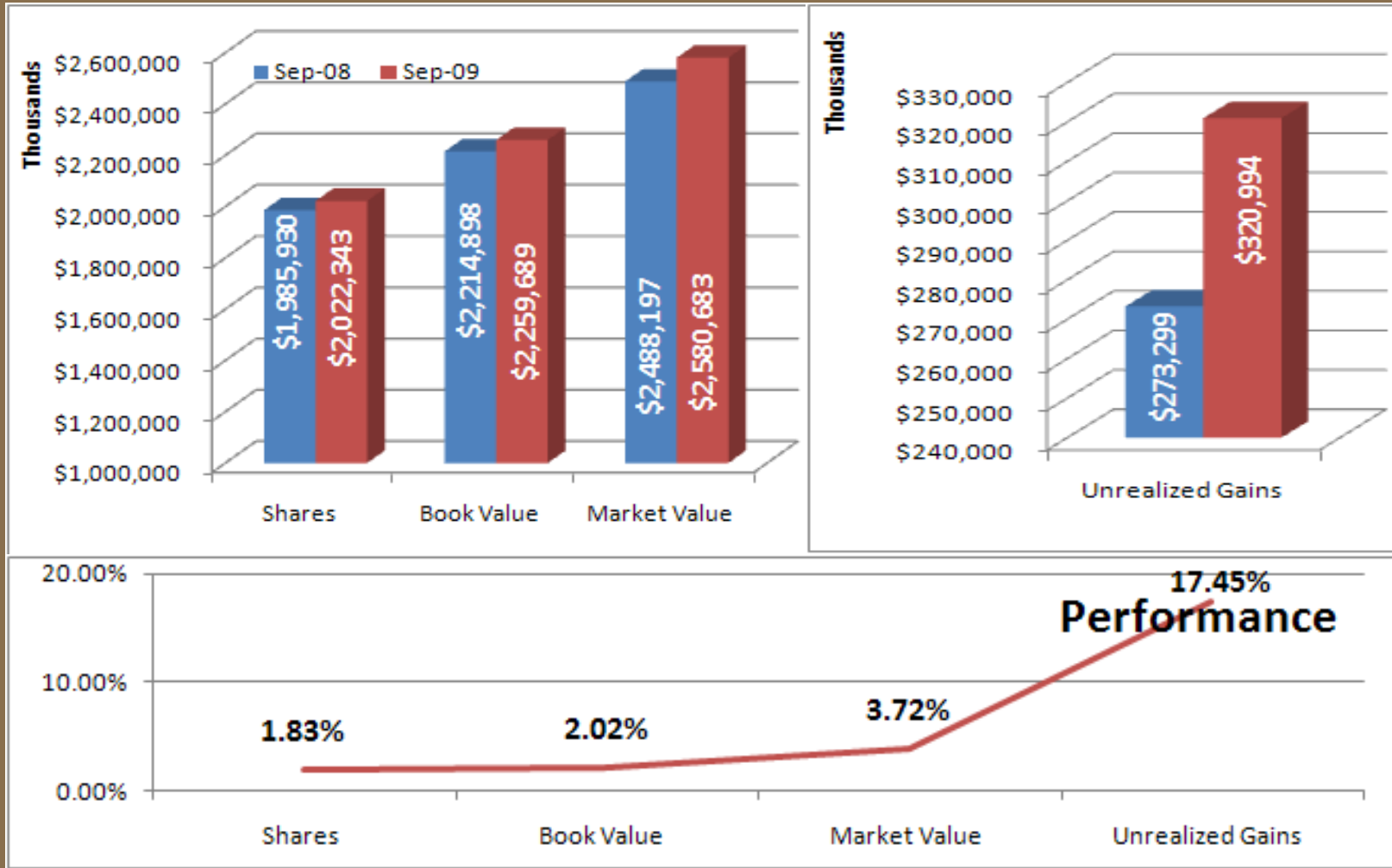
4th Quarter FY 2009



Endowment FY 10 1st Quarter

(in Thousands)

Change since FY 2009 YOY



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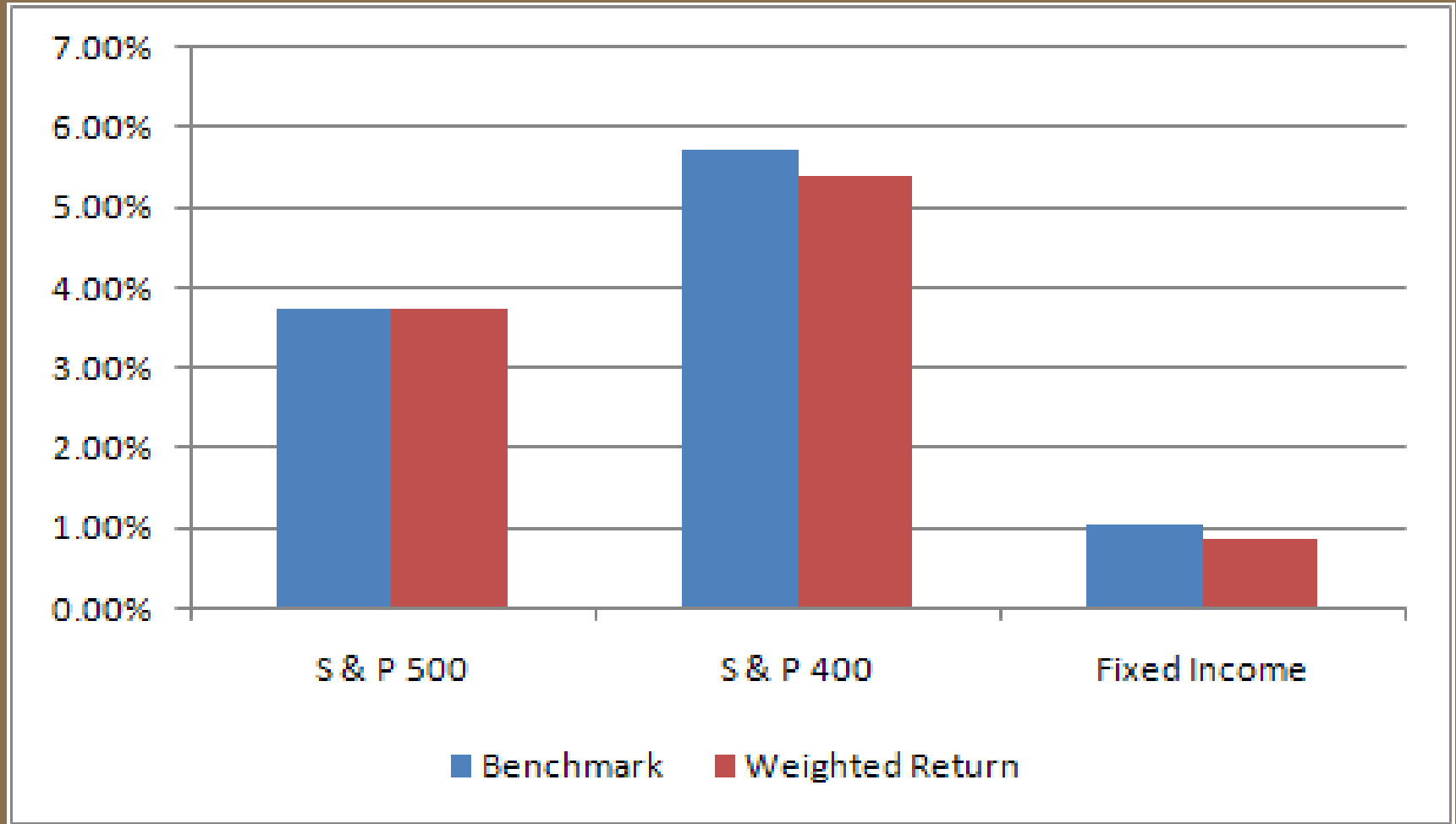
78

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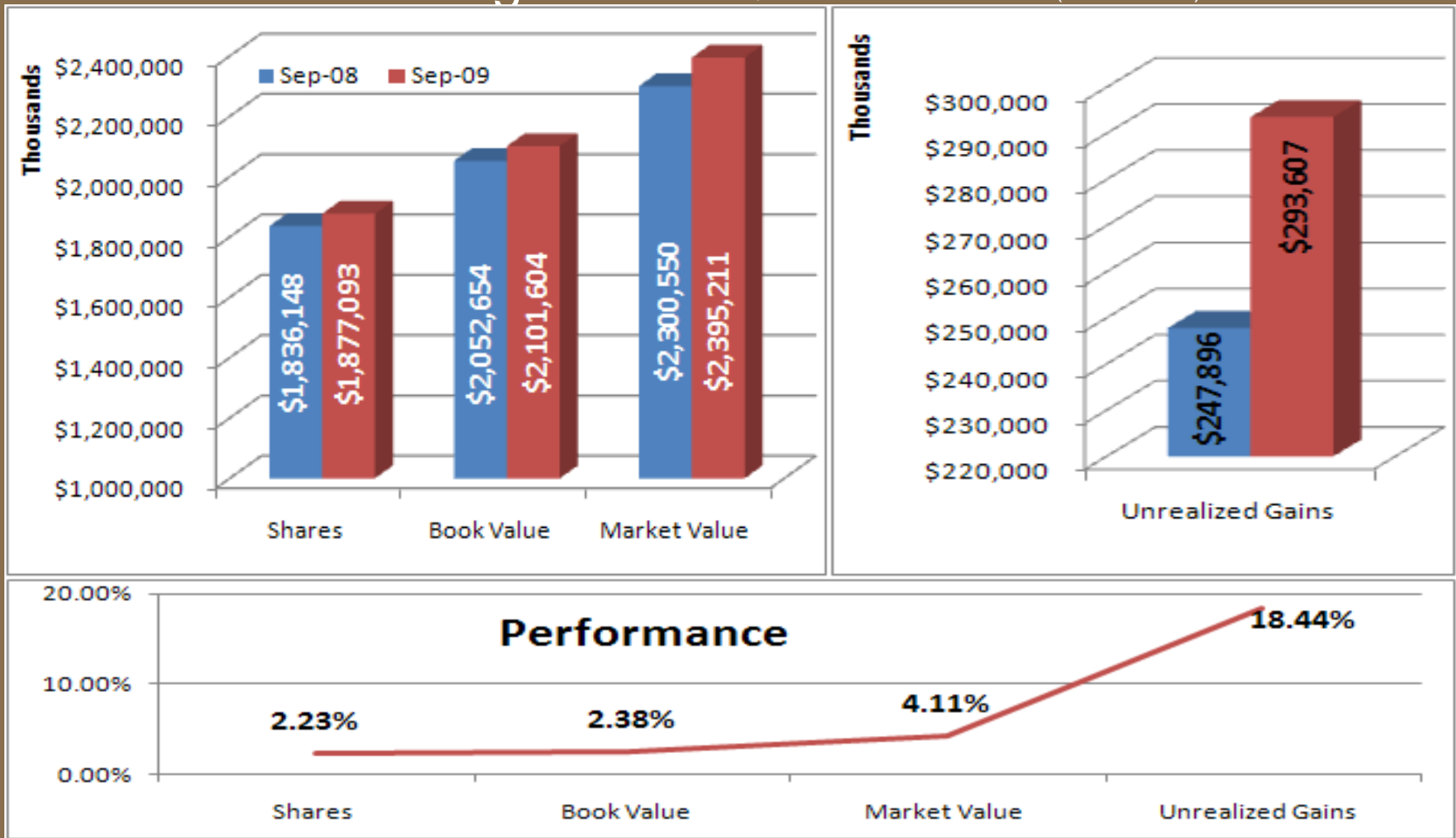
Endowment FY 10 1st Quarter

(in Thousands)



Permanent School Fund

Change in 1st Quarter YOY (in thousands)



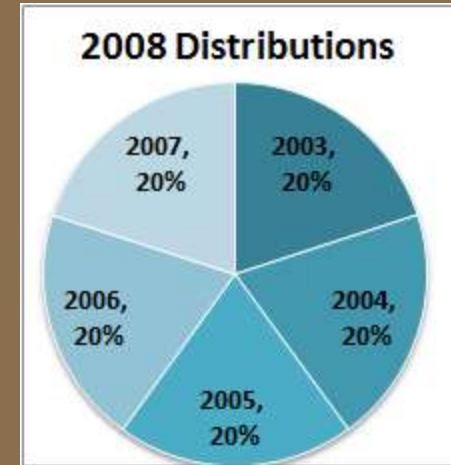
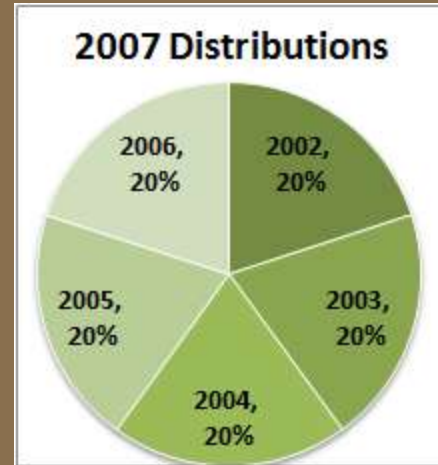
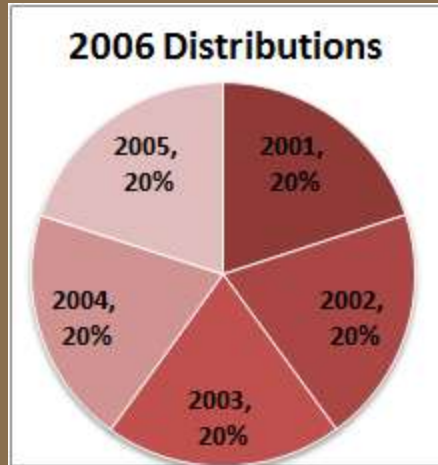
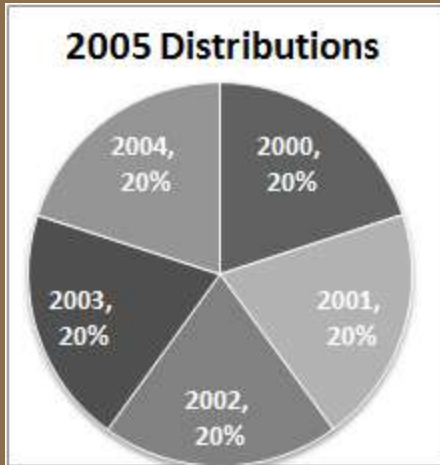
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Distributions are based on a five year rolling average



Beneficiaries receive 20% of each year's earnings (less inflation) for five years.



How the Formula Works

(Permanent Fund example)

YEAR	Rate of Return	GDP Price Deflator	Avg. Market Value
FY 2000	4.71%	2.05%	\$ 870.8 million
FY 2001	4.39%	2.53%	\$ 936.0 million
FY 2002	(0.38%)	1.63%	\$ 968.3 million
FY 2003	6.10%	2.04%	\$ 945.0 million
FY 2004	8.93%	2.92%	\$1,104.5 million
FY 2005	6.59%	2.90%	\$1,374.2 million
FY 2006	4.68%	3.53%	\$1,745.2 million
FY 2007	12.07%	2.77%	\$2,042.9 million
FY 2008	(2.46%)	1.95%	\$2,377.7 million
FY 2009*	(11.4%)	1.48%	\$2,176.8 million
Average	1.90%	2.53%	\$1,943.4 million

5 average of annual rate of return – 5 year average of GDP price Deflator X

Average monthly market value for previous 60 months = Next Year's Distribution



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Constitutional Formula

- Although 5 year performance is positive and producing earnings,
- 5 year inflation average is higher.
- When inflation exceeds earnings, the Constitution & Enabling Act prohibits distributions by the Board of Investments.
- We recommend changing the formula to a much more stable and predictable 2% of market value.
- Prevents wild swings in distributions.
- More predictable distributions to beneficiaries.



How Does Arizona's Endowment Compare To Other Endowments?



How Does Arizona's Endowment Compare To Other Endowments?

FY09 1st & 2nd quarter market value

University of Chicago	Yale Endowment	Harvard Endowment	Boston College
down 25-30%	down 25%	down 22%	down 25%

***Arizona State Trust Endowment
Relative Market Value Change Outperformed by:***

14-19%	14%	11%	14%
---------------	------------	------------	------------



Our Investment Philosophy

SAFETY
before
LIQUIDITY
before
YIELD

IT WORKS!



Questions?

Please use chat or phone
remember to identify yourself!

THANK YOU
We Appreciate Your Business!!!
Next Quarterly Meeting:
Thursday, January 28, 2010 1:30pm

